The MAGAZINE of WALL STREET

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EFFECT OF WAR INFLATION ON BUSINESS AND INVESTMENTS—Part 2

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The MAGAZINE of WALL STREET

Vol. 21 March 30, 1918 No. 13

THE OUTLOOK

The German Blow—The Next Loan—Money and Bonds—Business and Transportation Conditions—The Market Prospect

AS these words are written the whole world is hanging breathlessly on the news of the great German offensive and stocks have declined on the success of the Kaiser's opening attacks. Bonds have as yet been little affected. In fact, the Anglo-French 5s, which afford the best index of the opinion of financial interests as to the war outlook, are still selling around 90, which represents a recovery of over eight points from the low price of December. It is probable, however, that continued weakness in stocks would have some sympathetic effect on bonds also.

The New Government Loan

SECOND only to the news from the front as a market factor is the prospective Government loan. Last week the Liberty second 4s advanced sharply, their total gain from the bottom being nearly three points. There were two principal reasons for the advance—the first being the growing conviction that the new loan would bear a rate above 4%, and the second the probability that the amount of the loan would be considerably smaller than previously estimated. Both these expectations were fulfilled by the Treasury's announcement.

The Treasury, as well as the country at large, has all along failed to recognize the fact that money cannot win the war. As a nation we are accustomed to assume that money can do anything that can be done at all. But every material object is nothing but a concrete representation of the labor that has gone into it. So long as money will command more labor, then indeed money will accomplish almost any material thing. But when labor has reached its limit of productive power, additional money becomes useless for increasing total production.

Estimates of the amount of money needed this year for prosecuting the war have failed to recognize this limitation on the amount of money that can be used. Hence the smaller total for the loan.

The Money Market

SCARCITY of time money is another element restricting speculation. The banks' Money Committee is providing call money, in order to prevent the possibility of high rates resulting from a sudden pinch, but the task of holding down rates on time money would be beyond the strength of the committee at a time when the Government's needs for capital are so tremendous. Control of the rates for time money and commercial paper has to be left to the Federal Reserve Board, which can prevent a rate above 6% by encouraging rediscounting of commercial paper.

The War Finance Corporation bill, which in its latest form permits the loan of $2,000,000,000 for war purposes in rediscountable form, is another step toward control of money rates. It means inflation, of course, and has been adopted only because no other practical plan could be suggested. The problem of keeping inflation down as much as possible devolves upon the Federal Board.

Banks and brokers hesitate to carry any considerable quantities of securities on call money alone, and since the amount of time money available for the purpose is limited, the difficulties of buying stocks on borrowed money are increasing. That is an inevitable result of our lavish expenditures of capital in the war.

The Bond Outlook

THE present very low level of bond prices tends to increase the resistance of the market to any further decline. The clause of the War Finance bill which authorizes loans to savings banks, also, will reduce sales of bonds from that direction in case there are withdrawals of savings bank deposits for the purpose of buying the new Government bonds.

It goes without saying that there is little immediate prospect of higher prices for bonds, in view of the steady drafts on our supply of capital. But it is equally obvious that bonds are selling at a bargain level, and that, although they may go still lower, they are certain eventually to sell much higher.

Difficult as it is to buy stocks at or near the bottom, it is perhaps still more difficult to perform that feat in the bond market. Very high bond interest yields are now obtainable. How long they will be obtainable no one can predict.

Transportation Conditions and R. R. Stocks

THE Commerce Commission's reports show that, for the entire United States, transportation expenses in December averaged $646 per mile of road against $490 in December, 1916, an increase of 32%. For the Eastern roads the increase was the same but the total was naturally higher, at $1,207 per mile. Owing to the severity of the weather, the increase in January and February expenses was doubtless still greater. It is plain that the Government will need the recent advance of 15% in freight rates to protect it from loss in its contract with the roads. Fortunately for him, the investor is not now concerned with transportation expenses until 21 months after the end of the war.

The holder of railway stocks is now chiefly interested in two things: The rate of interest on capital, and the condition of the roads when the Government gets through with them. The immediate movements of prices are most dependent on the first. It is too early to form an opinion as to the second factor, but the Government's intention is to return the roads to their owners in as good condition as when taken over.

Business Conditions

MOSTLY as a result of the scarcity and high cost of labor, business in general is less active than it was last year. Government work is absorbing a constantly increasing proportion of our productive capacity. The labor scarcity is felt chiefly in skilled mechanics. Trained labor for the railroads, machine shops and ship yards commands almost its own price.

There is undoubted dullness in iron and steel—ordinarily the barometric industry. New orders are small and specifications against previous orders are light. Building construction is almost at a standstill and there is little demand from "non-essential" industries, while the Government's war work is being held back by transportation and labor shortages.

The Market Prospect

THERE is little use attempting to forecast the outcome of the new German offensive. Regardless of the final result, the temporary effect on the market can hardly be other than restrictive. The new loan, also, cannot be looked upon as a bullish influence. Much as we would like to take a more hopeful view, we cannot discover any constructive factor strong enough to cause an important advance in the prices of the more speculative class of securities, and we see no advantage to the public in attempting to view in an optimistic light factors that do not naturally lend themselves to that construction. In the midst of a titanic struggle, the stock market must bear its share of the burden.

March 26, 1918.

Our Point of View

On Vital Factors in Finance and Business

The German Defensive Offensive

CONFIDENCE that the present offensive on the West Front is the "last throw" of the German dice is somewhat shaken by the fact that the Teutonic Powers have proved themselves capable of making repeated "last throws." It is useless to blind ourselves to the fact that the history of the war on land comprises so far little except a record of the successive steps of Germany's progress.

The battle of the Marne was to be the turning-point of the war; so was the capture of Servia, the conquest of Roumania, and the invasion of Italy. Perhaps the very fact that the Allies are now less sure of the turning-point increases the probability that it has at last been reached.

But each German offensive has become more and more of a defensive character. From the first the Kaiser has evidently realized that the element of time works against him. To win the war he must keep on winning victories. The Allies, before the collapse of Russia, were in a good position to win by a steady defensive, permitting the Teutons to exhaust themselves by repeated plunges.

* * *

Not Wearing Nettles Yet, Anyway.

The German peace with Russia, if it really proves to be peace, adds considerably to the Teuton power of endurance. Yet the Central Powers are a good deal nearer the point of exhaustion than the Entente, to say nothing of the United States. "Economy" in Germany has long since reached the point of genuine suffering. Making cloth out of nettles, running automobiles on steel tires, collecting copper and brass from every kitchen, cutting the butter allowance to the vanishing point, collecting human hair to be woven, indicate a condition unknown in any Allied country.

The result has been a rise in the civilian death rate, an increase in disease and a general lowering of vitality. This is true even in Austria, where food conditions have on the whole been better than in Germany. Recent figures show also that sugar production is only a small fraction of that before the war, that the famine of leather is alarming, etc. A recent prosecution showed that $28 had been paid for a pair of shoes which before the war cost $3. Leather belts are kept in burglar-proof rooms outside working hours. For shoe soles paper fabric combined with tar, asphalt, or celluloid, composition rubber waste, horn and sheet iron are being used. There is a great increase in crime, in spite of the iron rule of the Government.

* * *

Where Money Is a Joke.

Nevertheless, the economic break-down of so resourceful and obedient a people as the Germans may still be long delayed. As for the piling up of the debt, that no longer signifies. Austrian paper money is already a joke. But our own Civil War showed that a people can go on fighting after their money becomes worthless. In the last days of the Confederacy the "Yanks" used to say that Confederate "money" was exchanged for wood "cord for cord." The only exhaustion that will end a war is exhaustion of labor power.

The Teutons are now capable of a more powerful offensive on the West than at any previous time. But the Allies are also stronger. If the Germans could not reach Calais in the first year of the war, with England inexperienced and unprepared for land warfare, it seems very doubtful whether they can do so now, in spite of the unexpected power of their opening blows.

* * *

"Five in a Bed and a Short Quilt

A consideration of the sacrifices the Teutons are making to win the war shows the absurdity of our attempting to carry on "business as usual." Our situation is well illustrated by one of Darling's cartoons in the *Tribune* entitled "Five in a Bed and a Short Quilt," reproduced on a later page of this magazine. Labor supply is the greatest necessity and everybody wants it at once.

Higher wages are inevitable, and higher wages mean higher prices, since nearly all the value of any article consists of the cost of the labor applied to it in the various stages of its production.

But in a great national emergency wages and prices are subordinate to our main pur-

pose, which must be to use the last possible ounce of our labor power toward winning the war. Like the German debt, the wage and price question must be incidental only.

* * *

Heat Justified in Spite of Coal Famine. But the greatest crime of all, a crime so black as to be beyond the powers of language to characterize, is that of the promoter who now floats a doubtful enterprise by attracting the savings of the poor. His deed is bad enough in peace, but in war there can be no spot in hell hot enough to meet his just deserts.

The Government is taking action against some of these despicable enterprises. Its action cannot be too prompt or too vigorous. It is not a question now of protecting those who are too ignorant and greedy to protect themselves. In peace, it is possible to argue about how far the Government can go in safeguarding the public against its own gullibility. Now the whole question is one of insuring the application of this money to the war.

Wall Street should combine with the Government to end this intolerable nuisance, which smells to Heaven at our back doors. The financial district should be made too hot to hold these shady financiers.

* * *

Fixed Prices Should Not Be Too Fixed The Government's problem in fixing the price of wheat is a difficult one. The natural way to increase production would be to raise the price. But when it is necessary to increase the production of everything at once, raising prices does no good, and that is substantially the present case.

It would certainly seem, however, that the administration is rather too set on its policy of holding prices down. Big production is the important thing. Fixed prices, though doubtless desirable in some cases, should not be regarded as fixed for the period of the war. They should be adjusted to new circumstances as they arise. With wages everywhere climbing prices will have to go with them.

Wheat is such a vital necessity and the shortage in it is such a certainty even after everything possible is done to encourage production, that the policy of holding down the price is open to serious question. We might better pay $2.50 a bushel unless it can be proved that a lower price will give us the same production.

* * *

Subway Football Soon 6 Cents? A recent list shows that over 50 fairly prominent street car lines and many other smaller ones have raised their rates of fares, the advance being in most cases about one cent. There can be no question of the justice of the advance. Why should the public utility be singled out as the only form of enterprise which cannot raise the price of its product to correspond with higher wages and higher costs of all kinds? No class of corporation renders us a greater or more necessary service.

Yet Mr. Shonts so far gets little encouragement in his recommendation that New York City adopt the six cent fare, and his explanation that the city itself will get the chief benefit from the advance is regarded with skepticism. Most of those who play daily in the subway rush line feel that five cents is enough to pay for the privilege. In that belief they perhaps do the New York traction powers some injustice, in view of the magnitude of the transportation problem which has to be met every twenty-four hours.

* * *

"Oh, That's Different!" Says I. C. C. The advance of 15% in railway freight rates has passed almost unnoticed amid the whirl of more important things. It is of little immediate concern to investors, since under the new railway law the Government will get the increase. The increase in rates is merely one form of taxation. The net earnings allowed the roads will be unchanged.

Even the future bearing of the advance is distant, since we are to have Government operation until 21 months after the war ends. Just now everybody feels as though that would be a long time. It is long enough, at any rate, to prevent the rate advance from having any present effect on the prices of railway securities.

Reading stock represents not only the railroad but also the coal and iron company, which is not under Government operation; so the speculative impulse is not all out of that stock. But other railroad securities may now be expected to respond to changes in the demand and supply of capital rather than to earnings or operating conditions.

BUSINESS AND FINANCE SERIES

No. X. PART 1

Our New Chemical Industry

The War a Contest of Chemists—Development of Aniline Color Industry—Changes of Far Reaching Importance—Outlook for 1918

By SIDNEY W. DEAN
Editor, *Oil, Paint & Drug Reporter*

THE present war is a war of chemists—the past year was beyond all others one of chemical achievement, of re-adjustment to new conditions, of development, of new processes and of new production.

Never has there been any industrial criterion, and any comparisons with the price or production records of the past decade are valueless, in that the reorganization incident to new consumptive demand, to federal distributive control, and to substitution of basic materials has no parallel in the history of American chemical production.

It is not possible—even though the entire reading space of the MAGAZINE OF WALL STREET were to be utilized—to cite all the changes that have been effected, and all the influences that have entered into the new consumptive demand, which, to the credit of the American chemist and manufacturer has been met in a manner and with a completeness which has far surpassed expectations.

If the war has done nothing else it has brought about the creation of a new industry—the production of American aniline colors and coal-tar intermediates. It has substituted established capacity — production in correlated chemical plants for "supply and demand" — regulated individual industrial entities.

Extraordinary demand, necessary substitution of other basic materials, government requirements, control of both production and distribution—such have been the factors affecting almost every separate commodity of importance in the chemical industry during the war period. It can be added truthfully, that every new proclamation by the President, every regulation by federal board, every "suggestion" by trade alliance or war service committee points to the establishment of the same general policy for the duration of the war.

Controlling Influence

The controlling influence in the market during the closing weeks of the year, and one which cannot but exert a still stronger —even if directly stabilizing influence— during the year to come was the action of the government in commandeering materials at fixed rates of remuneration considerably less than the open market rate. Every week after the first of the year some new commodity was thus taken under control. In some instances certain proportions of the output were taken over at a fixed rate; in others, the total supply was produced and distributed under exact regulation; in still others only a distributive control was exercised.

Among these items—all of which are essential factors in the chemical market—were bleach, commandeered at 2½ cents a pound; caustic soda, at 3¾@3⅞ cents; sulphuric acid, 66°, at $24 a ton; toluol, at $1.50 a gallon, with the market at $5.50; chlorine gas (liquid), at 10 cents, with the market at 17@20 cents. Aqua ammonia on high test (26°) was price-controlled at 8½ cents when 24@26 cents is quoted

in the open market, and with 30 cents named in the trade in March. Arsenic was taken at 9 cents when market quotations were 15@17 cents, and even today government price establishment considers glacial acetic acid on an 18 cent basis with open market quotations at from 35@38 cents, while acetate of lime is placed at 4 cents, with the industrial buyer forced to pay 6 cents and up to 8 cents.

Such is the condition which must be considered in any review of chemical conditions. And the end is not yet.

A Chemical Barometer

It has been said truly that sulphuric acid is the barometer of the heavy chemical market, that as it rises and falls so other items in the same production group synchronize. Any study of the price changes of the past year in the acid group—acetic, muriatic, nitric—bears out this deduction to the full. And yet the increased production of sulphuric acid during the year by more than 39 per cent. over the year 1916, to a total in excess of 6,250,000 tons when reduced to a basis of 50-degree acid, was not won without unusual exertion, and without a radical change in manufacturing methods.

The virtually complete shutting off of the receipts of pyrites from Spain at different periods during the year, as the depredations of the U-boat privateers waxed or waned, led to the elimination on the part of many large manufacturers of pyrites as a sulphuric acid base, and the substitution of brimstone or sulphur, which can be obtained from the enormous beds of Louisiana and the Gulf Coast fields. With this substitution came the natural result of the unusual demand, federal control of sulphur distribution, since with the not-to-be denied requirements upon the steel mills and machine works of the country it was impossible to obtain the needed machinery with which to increase sulphur production from this Southern source. The new process utilized platinum—and within a few weeks the government has taken control of the platinum industry.

The unusual demand for brimstone or sulphur thus created is shown by the estimated production for the year of 1,250,000 tons, of which 1,000,000 tons went into the manufacture of munitions and general industries, while 250,000 tons were used in the production of fertilizers.

The tremendous development of the sulphuric acid industry in the United States during the 12 months can best be illustrated in the following brief production summary, as nearly complete as it can be made at this time:

Strength of acid	1917 Short tons	1916 Short tons
50°	2,306,372	1,829,471
60°	1,187,704	1,119,753
66°	850,006	1,580,100
Stronger acid	1,190,019	443,332

In comparing the two years' record it must be remembered that the amount of 66° B. acid—850,000 tons—is the equivalent of approximately 1,290,000 tons of 50° B. acid.

Market conditions for sulphuric acid were on the whole better than in 1916, and the value of the output was in excess of that year of unusually high prices.

Take another item in the chemical market in another division of this production field—benzol, a coal-tar crude of supreme importance in the manufacture of chemical or coal-tar colors. With the increased consumptive demands and with largely increased production the falling off of export requirements was manifested in a decline for the year to 36@42 cents a pound for 1918 contracts as compared with 80 cents in January, 1917.

Phenol a Leader

Phenol was the leader in the group, with a steady demand, with prices ranging from 53@55 cents in January, 1917, down to a low of 40@42 in August, only to return again to the earlier figure at the close. The action of the government in commandeering quantities of this commodity about the middle of December with a price to the producers of approximately 38 cents a pound left the immediate future of this coal-tar crude in a similar position to that of sulphuric acid. Both are used in munitions manufacture, both have other consumption demands in other industries—sulphuric acid in fertilizers and phenol as a dye base. The estimated production of phenol during 1917 is placed at 25,000 tons, or double the output in the previous year.

When it is taken into consideration that prior to 1914—the first war year—every

pound of synthetic phenol used in this country was the product of European manufacturers, and that during December, 1917, one New Jersey plant alone was credited with furnishing regularly 3,000,000 pounds of phenol a month, the permanent development of this branch of chemical manufacture will be realized at once.

In the group of dye intermediates—analine salts, nitrobenzol, toluidine, picric acid, T. N. T. (trinitrotoluol) and a score of others—production as a rule was greatly enhanced. Some commodities, such as aniline oil, were produced on a large scale, and although in the mid-year there was a decline in prices the market grew firm again, with the quotations at the close higher than in February, with production considerably in excess of the previous year and with the quality of the output high and satisfactory.

Picric acid—one of the most important items in this group—offers another illustration of the entrance of the government into the purchasing field, for at the close of the year there were but few producers, with the government the preferred buyer, and with little to be distributed to the industries, and then only with federal sanction. Government demand for T. N. T. practically eliminated this product from the open market.

In this same group of dye intermediates benzoate of soda affords another instance of changed production sources. In 1914 the United States was almost wholly dependent upon Europe for this chemical, and from a quotation of 23½ cents a pound in the first war month—August, 1914,—the price climbed to $8.50 a pound in December, 1916. With the demand, new producers entered the field and there was an immediate drop in price, but later in the past year with the scarcity of toluol the rebound carried the quotation to $3@3.50 a pound respectively for the soda and the acid.

The Greatest Achievement

The development of the aniline color industry is the most marvelous achievement of the chemical year. From an investment of approximately $5,000,000 at the outbreak of the war—with the bulk of the dyestuffs used by the textile and other industries of this country imported from abroad —and particularly from German laboratories—the past year has seen a capitalization effected of more than $300,000,000. From five factories in 1914 the list has grown to 136 today. From an importation of dyes to the amount of over $10,000,000 a year the pendulum of trade has swung to an exportation of dyes and dyestuffs for the fiscal year ending June 30, 1917, of $11,710,887, as against $5,102,002 in 1916, and $1,775,925 in 1915. In the latter year the total domestic production of aniline colors amounted to but $2,470,000. More than 50 per cent of the dyes exported last year were aniline colors, and more than $3,000,000 worth were sent to Great Britain, despite the fact that in British Dyes, Ltd., the British market is catered to by a government-subsidized industry.

Of the 136 or more dye manufacturing plants now striving in every manner to put this industry upon a basis which cannot be successfully attacked by European rivals after the war, 47 are located in New Jersey, 30 in New York, 11 in Massachusetts and 7 in Pennsylvania. There are dye plants in 11 other states, with Connecticut first after Pennsylvania and Florida last in the list.

The changes brought about by the demand for dyestuffs have been without precedent. Cotton firms, ink manufacturers, chemists—all have entered the field in various branches of dye production, and the result is a constantly increasing output of blacks, blues, browns, reds, yellows, greens, orange, violet, from which seven primary colors practically every shade can be obtained for such materials as wool, cotton and silk. Step by step the list of available aniline and other chemical colors has been broadened until today the manufacturers of the United States are in a position to compete with the European makers in the majority of grades and lines. The coal-tar color list alone includes 900 items, calling for some 3,000 chemical processes.

Such colors as have not been perfected are now in the hands of the dyestuff chemists in the laboratories of the leading producers of the country, and only within a few weeks the announcement has been made that one group of German special dyes—the indigo blues—has been manufactured successfully here on a commercial basis.

After 18 months of laboratory investigation, synthetic indigo has now been pro-

duced successfully on a commercial scale in this country, and a plant to produce at least one-half the requirements of the United States is now in process of erection and will be in operation within three months. The product made is the equal of the finest German grade synthetic indigo, and the undertaking is backed by the greatest aggregation of dye capital in the country.

With such success in surmounting what would have been deemed insurmountable obstacles in 1914, there is little doubt that the coming year will be the most prosperous and the most creative period in the all-too-brief history of the American chemical dyestuff industry.

The Heavy Chemical Market

The record of the heavy chemical market—the ammoniates, the nitrates, the sulphates, the cyanides, the bichromates, caustic soda, chlorate of potash, soda ash and bleaching powder is varied. Here the barometer of supply and demand, control and regulation, production and distribution, has registered incessantly. That some of the markets were seemingly quiescent at times was more because of innate weakness in the market itself. New demands created new production in some instances, overproduction in others caused weakness when difficulty in transportation had to be overcome. Towards the close of the year export conditions and the difficulty in obtaining bottoms drove down prices to a low level, notably in copper sulphate.

The caustic soda market affords a striking example of how war conditions can be reflected in one item of production. At the opening of 1917 the price for 76 per cent caustic soda in New York was from 4¼@4¾ cents a pound. From January till September the rise was steady until in the latter month a high of 10½ cents was reached, but with the government conservation ruling of October 1 a drop of approximately 2 cents was registered in one day's trading. The caustic soda market has been in the hands of the traders exclusively, and the action of the government was reflected in a steady decline until the first of the year 1918, when contracts for the present year from dealers were placed generally at 6½ cents works or New York. The production, it is believed, is in the hands of less than 30 firms and while the total production is not officially known it is conservatively placed at from 800,000 to 1,000,000 tons.

The bleaching powder situation was disappointing to large producers in that the high prices of the first five months fell away with lack of demand and increased production, only to be steadied somewhat by the action of the government in commandeering a large proportion of the output of this product. The total production was undoubtedly in excess of 150,000 tons.

The nitrate of soda market during 1917 was such that the present conditions were inevitable. Today there is virtually no nitrate of soda to be obtained at first hand or from importers, and here again, government action is reflected in market conditions. The purchase by the government of 100,000 tons of this Chilean commodity for distribution to farmers at cost that bumper crops may be assured during the coming year, has led to an unprecedented condition. Ships necessary to bring the nitrate from Chile have been commandeered to move wool and wheat and cereals; cargoes of nitrate shipped to this country for industrial consumption have been taken over to meet the demands of this farmer-distribution, with consequent loss to the fertilizer makers thus stripped of material necessary to the production of mixed fertilizers.

The imports of nitrate of soda for the fiscal year ending June 30, 1916, totaled a record amount—1,261,993 tons, valued at $44,428,196. In 1916 the total importation was 1,072,833 tons, valued at $32,129,926. For the fiscal year ending June, 1915, the total was 575,371 tons. The calendar year imports for 1917 (ending December 31) totaled 1,555,839 tons, valued at $60,283,900, thus indicating the enormously increased demand after this country entered the war, yet notwithstanding this increased tonnage prices ruled high, with only a slight drop at the close of the year. The range for the year was from $3.25 per hundred pounds in January, prompt shipment, to $4.50@4.60 in December. The price March 25 was $4.90@$5.10 per 100 pounds, with a complete absence of quotations on futures, due to the conditions already cited.

Outlook for 1918

What may be looked for in 1918?

The only defensible deduction has al-

ready been drawn. The chemical market as a whole during the period under consideration was marked by increased production, by generally increased prices, by inevitable declines following governmental commandeering, regulation or—in some few cases—price fixing. And yet while in some instances prices receded to points on a level with those prevailing before the outbreak of the European war in 1914, there was an element of stability which augurs well for the general prosperity of the chemical industry during the months to come. There have been created, to meet present exigencies, certain alliances, or associations, or boards, call them what you will, for the purpose of stabilizing production, equalizing distribution and eliminating industrial privateerng—or, as generally named, "profiteering." Months elapsed before these necessary connecting links between government and business were forged, and the closing weeks of 1917 were the intermediate stage between decision and indecision, with the inevitable result.

Demand Will Continue

There will be continuous demand for the major chemicals, for the output of American dye laboratories and acid plants. The government in the very nature of existing requirements must provide the necessary transportation from the producer to the consumer. While the path of the industry is encompassed about with license and restriction and regulation, while the fuel problem, and the basic material problem are not idle imagining, still there is a firm belief that in the final readjustment the greater market and the assured price—even though government-fixed—will stabilize the industry to an extent not thought possible some months ago.

Handicapped by Outside Forces

The chemical market, just as the oil, the drug, the fertilizer, and other branches of productive and distributive industrialism, has been handicapped inevitably by forces outside itself. It is in the power—and the industry is convinced it is the intent of that power—for these forces so to co-operate with the industry that its course shall be clear and untrammelled by all save essential regulation.

The developments of the last few weeks strengthen this belief. While the coming year will not prove an Eldorado for the business privateer, the chemical industry looks for increased business at good prices with a reasonable profit. The one feature of the outlook which is of the greatest moment and of the greatest promise is the surety that as the months pass, as new demands are faced and filled, the permanence of a self-contained chemical industry in the United States as at present constituted will become more and more assured, and better able through regulation by a friendly government to withstand the active trade warfare which must assuredly follow the cessation of hostilities and the dawn of a new era of world trade.

AMERICAN AND ENGLISH INCOME TAXES

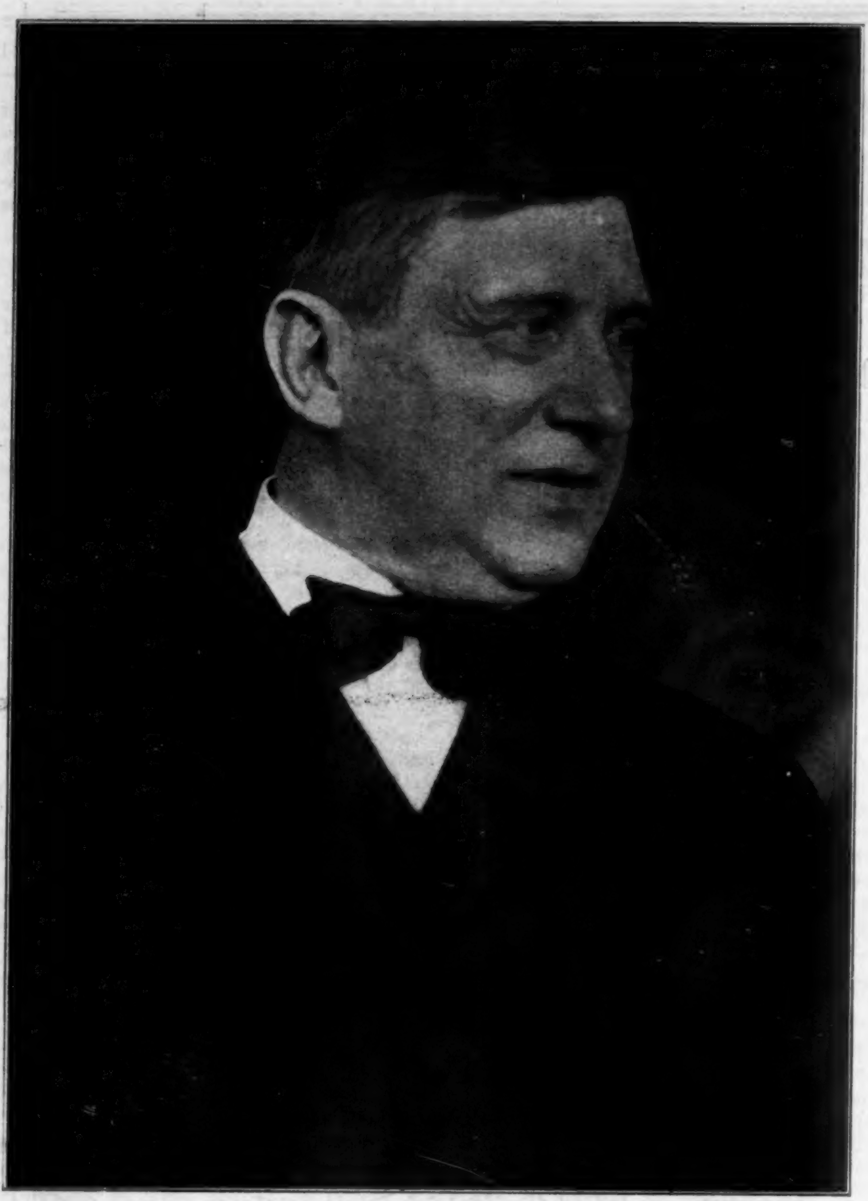
In comparison with the tax levied in England on incomes our own income taxes are moderate.

In England the tax on incomes of $1,000 is 4½ per cent, in America nothing.

In England the tax on incomes of $1,500 is 6¾ per cent, in America nothing for married men or heads of families, and 2 per cent on $500 for an unmarried man.

In England the tax on an income of $2,000 is 7⅞ per cent; in America nothing for a married man or head of a family, and 2 per cent on $1,000 for unmarried men.

The English income tax rate also increases more rapidly with the growth of the income than ours, a $3,000 income being taxed 14 per cent, $5,000 16 per cent, $10,000 20 per cent, and $15,000 25 per cent, while our corresponding taxes for married men are respectively two-thirds of 1 per cent, 1½ per cent, 3½ per cent, and 5 per cent, and only slightly more for the unmarried, due to the smaller amount exempted, the rate being the same.—*New York Globe and Commercial Advertiser.*



CHARLES MICHAEL SCHWAB

America's leading steel and munition maker although but 56 years old. Chairman of the Board of the Bethlehem Steel Corporation, capitalized at $135,000,000, employing 65,000 persons, and which earned last year approximately $54,000,000 net after taxes. One of Carnegie's "young men" and a great believer in Carnegie's pet "bonus system" theory. Last year the Bethlehem Steel Corporation distributed $4,000,000 in round figures to its employes in extra payments.

LITTLE SKETCHES OF BIG MEN

No. 2

Charles M. Schwab—Munition Master

Rise of a Barefoot Boy to the Pinnacle of the Steel Industry—When Schwab Was Bearish on Bethlehem Steel—How War Brought the Realization of His Dream

By BARNARD POWERS

"THE most brilliant of all the young partners (of Andrew Carnegie) was Charles M. Schwab. His was the most meteoric career known in the steel business." Writing more than a decade ago when the Bethlehem Steel Corporation was hardly more than a name, Herbert N. Casson thus characterized the young Carnegie partner. But the meteor which was destined to light the entire steel heavens had hardly commenced to glow. It required the stimulus of a great war to fire the genius of Schwab to its greatest expression.

"What are the most striking characteristics of Mr. Schwab which have enabled him to attain his great success," the writer once asked a man who has known Mr. Schwab for years. And the answer was: "Ability to organize, ability to administer, salesmanship and personality."

But the greatest of these is personality.

Probably, Charles Schwab is one of the most popular business figures before the American public today. In the first place he is intensely American. Although now a multi-millionaire and rated as one of the great industrial captains of the century, Mr. Schwab is as simply American as when he was a bare-foot lad pattering around among the stones of Loretto, that little mountain hamlet in the Pennsylvania Alleghenies where he first saw the light of day fifty-six years ago.

"Between the Bethlehem Steel Co. and myself we will pay the Government over $25,000,000 this year, and I am proud of the steel company for what it can do for the country," remarked Mr. Schwab the other day.

Early Days

Schwab is a business hero because he typifies the American idea of success. He started with nothing and has achieved everything that man can reasonably hope to achieve in the way of material success. His father ran a stage coach between Loretto and Cresson Station, Pa. At the age of sixteen we find young Schwab on the driver's seat, looking out upon the world with beaming countenance, cracking his whip and carolling in a very fair tenor voice as he drove his team down the winding and rough roads. "There goes Charlie," one can hear the natives say, and "Charlie" he still is when he returns to his home town in a touring car whose cost is a hundred times the price of his original equipage.

His next job was in a grocery store at thirty dollars a month. But his stay was not for long. The great Edgar Thomson Works, owned by Carnegie Brothers & Co., were close at hand, and the smoke of its tall chimneys was like beckoning hands to young Schwab, as they were to every red-blooded and ambitious lad in the vicinity. One day Captain William R. Jones, superintendent of the Thomson Works stepped into the store and the alert Charlie asked for a job. He got it—at driving stakes at a dollar a day. At length the young man had entered upon his life work and from now on the looms of Fate spun fast and large for the young ex-grocer's clerk.

"I consider Bill Jones and Charlie Schwab the two best steel men in America," said Carnegie in later years.

From the start Charlie was a success. He took to the steel business as the bird takes to the air or the duck to water. Inquisitive, energetic, analytical, resourceful and withal of merry mien and jovial good-nature, ready for any enterprise of busi-

ness no matter how arduous, he could no more be kept down than the jet of a fountain and he clambered up the steps of promotion with a precipitation which was little short of startling.

At twenty-four this young man was at the head of the engineering department of the whole organization. Think of it, this boy with the bloom of immaturity still on cheeks which hardly needed the touch of a razor, presided over the destinies of between 6,000 and 7,000 men.

Then came the disastrous and bloody Homestead strike. When the smoke of battle had cleared away from this Waterloo of organized labor, Carnegie looked about for a man who could take care of the reconstruction—a task calling for unusual talents, for the men were sullen and obstinate and down in their hearts, deep resentment smouldered. He chose young Schwab and the latter went at his biggest job with an enthusiasm which knew no bounds. There was no resisting him—his energy and good nature penetrated the shell of even the surliest mucker. Moreover, he identified the interests of the workers with the interests of the company. When a man did a piece of work efficiently he was rewarded not merely by a slap on the black and indefinite promises, but with good, hard cash. Schwab knew that the greatest incentive to make profits is the opportunity to share profits, and everyone under Schwab's charge was a potential profit-sharer. Under Schwab's management the Homestead plant became the greatest steel producer in the world, and as the result Schwab was awarded the presidency of the Carnegie Company, then the dominating factor in the steel industry of the country.

Carnegie's Drive

Shortly after events began to move on a vast scale in the steel trade. Carnegie's competitors began to plot to undermine his hold on the industry and the "Ironmaster," who in 1899 announced that he had retired from business never to return, scenting danger from afar, tossed aside his books and rushed to the fray. No Gordon Highlander ever descended upon his adversary with greater impetuosity and fury than the little Scotchman fell upon his opponents. Prices were slashed right and left, enormous plans for the construction of competing plants were put into motion; the intrepid Carnegie even had the temerity to attack the great Pennsylvania railroad and went so far as to put a force of engineers to work surveying a parallel line to one of its main rights of way.

The steel industry was thrown into an uproar. Smaller manufacturers saw stark ruin only a little way ahead and even big competitors quaked in their boots for they knew that Carnegie had the ability and the money and the nerve to carry his plans through to the bitter end. Among the big people in the industry the word was whispered: "Carnegie must be bought out."

Some time before Carnegie had tried to sell out for $250,000,000 but had found no purchaser. The year before the formation of the U. S. Steel Corporation, the Carnegie Company had earned $40,000,000, and Carnegie had jumped his price accordingly.

There was only one man big enough to handle a proposition of such enormity—J. P. Morgan—and only one man with ability enough to put through such a gigantic sale—and that was Schwab.

Selling to Morgan

Schwab saw Morgan. At first the great financier was interested but not convinced. The magnitude of the undertaking was too much for even him to grasp at once. But as the persuasive Schwab painted in dizzying pictures the great future of a combination such as he had in mind, the enormous economies which could be effected by the merger and the tremendous profits in prospect, the imagination of Morgan gradually took fire. The eventual result was the announcement to a startled world of the billion dollar steel corporation.

Schwab was its first president and went into office with $29,000,000 of stock.

He was then thirty-nine years of age.

At the end of three years Schwab resigned from the presidency. The reason was, in spite of garbled different accounts, that while he was nominally president, he was actually only third in command, being outranked in authority by the chairman of the board and the chairman of the executive committee, the latter being George W. Perkins.

Schwab's Mining Ventures

The succeeding four years were not the happiest in Schwab's career. When he is hard at work he is in his real element, and the possession of too much time coupled with too much money is a bad combination for a man who is accustomed to working off his super-abundant energy in wrestling with knotty business problems. There are tales afloat of the extravagances of the young millionaire, his famous trip to Europe and his profligacy at Monte Carlo and on the Continent. Doubtless most of such tales are wild exaggerations but doubtless, also, there is an element of truth behind them. Among other things, Schwab plunged into the mining game which he said interested him more than anything he had yet attempted. It may have proved an interesting line of endeavor, but it certainly proved to be unprofitable. I have heard that Schwab's mining ventures cost him a cool five millions. His case was a striking example of "Shoemaker, stick to your last."

Schwab is a steel man, first, last and always. He is a poor high financier and a poorer speculator. Although never a market "trader" in the accepted sense of the word, I am reliably informed that when he did buy a block of stock for a "turn" it invariably went against him. In those days one could have made considerable money by simply "coppering" Schwab's market operations, i. e., by doing exactly opposite to what he did.

A New Era

But it was not long before Schwab "found himself." When he was with the U. S. Steel Corporation he had obtained control of the Bethlehem Steel Corporation which at that time was practically bankrupt. He sold out the property to the United States Shipbuilding Company and when that ill-fated project collapsed, he took it back and it was generally considered that he had got a "lemon." But here was a venture about which Schwab knew and which was in his line. Closing up his $7,000,000 palace on lower Riverside Drive, he migrated to South Bethlehem and settled down to the task of building up his new property—probably with a greater satisfaction in his heart than for years.

At first the going was hard. The plants were much run down, the organization was poor and its grip on the steel trade slight. But it was not for nothing that Carnegie once dubbed Schwab as one of the two greatest steel men in America. Moneys earned were put back into the property, the organization was revamped and keyed up, and the old efficiency which characterized the Homestead Works of the Carnegie Company gradually became manifest. For two years Bethlehem Steel earned nothing on its common stock and then earnings gradually began to creep up. In 1910 the balance for the common was equivalent to 6.45 per cent on that issue, 6.70 per cent in 1911, and 6.86 per cent in 1912.

Then Bethlehem Steel began to come forward with a rush. In 1913 the balance for the common was nearly 27.50 per cent and in 1914, the first year of the war, 30.59 per cent. Curiously enough for some unexplained reason these earnings made no impression with the investing public. Whether they remembered the fantastic tales of the young millionaire and regarded him as an unsafe leader to follow, or what was the reason, Bethlehem stock was a laggard in the market. Up to 1915 its high price was 51⅝ and in 1914, the year of the company's greatest earnings until then, one saw the astonishing spectacle of the common earning 100 per cent on its market price.

Schwab Bearish on Bethlehem

Unaccountable as it may seem, Schwab, until the end of 1914, did not see the pos-

SCHWAB'S ESTIMATE OF HIMSELF

Charles M. Schwab does not think that he is a remarkable individual in any respect. He once stated that he attributed what success he had achieved to a pair of broad shoulders, a liking for work and a determination to succeed. He forgot to mention the Schwabian smile, which is one of his greatest assets.

sibilities of the great war for Bethlehem. Perhaps he is not to be blamed for this, for he merely held the general views then obtaining in the steel trade. When the Germans were marching on Paris and Bethlehem Steel Common was selling around 52, Schwab told his friends that the stock was high enough. Beyond question he was sincere in his opinion.

But instead of having sufficient facilities for supplying their munition needs, the Allies were in sore straits, and the call went forth to America for help. Schwab made a flying trip to Europe, saw the great Kitchener, and for a second time vindicated his reputation as the world's greatest salesman. He came back to America loaded down with hundreds of millions of orders, and Bethlehem Steel entered upon an era of growth such as no company in the world's industrial history had ever experienced before.

Above South Bethlehem the sky was black by day and red by night. Feverishly the shifts followed each other into the mills and the great furnaces roared incessantly. Enormous new plants went up as if by magic and thousands of new employees flocked to the scene hardly before the mortar was dry. The broken-down property, which Schwab had acquired ten years previous, was in the throes of growth which was to make it greater than that growth of centuries and the pride of Germany, the Krupp Works.

Meanwhile German agents were doing their best to shut off the flow of munitions from America. Many times Schwab was approached with offers to buy out his interests, and, as we were then at peace with Germany, he could properly have sold if he so desired. There can be no doubt but that he could have obtained a price of $100,000,000 for his holdings, but he turned down all propositions. Schwab was not working for money, but for the joy of endeavor, and he would not desert the Allies with whom he had made contracts. This is to his everlasting credit.

Wall Street Gone Mad

Meanwhile, Bethlehem Steel stock was running amuck in Wall Street. The investing and speculative public had awakened to its potentialities and the common took wings and soared. There seemed to be no limit to the advance, up it went ten and twenty points at a time. Par was reached and crossed with hardly a reaction. Two hundred, three hundred, four hundred and five hundred were reached and passed, and predictions that Bethlehem Steel would sell at a thousand were prevalent. In 1915 the common sold at $600 a share and in that year earned $112.49 per share. The following year on earnings of $286.30, the common made a new high record of $700 a share.

Mr. Schwab had said that Bethlehem common would not pay dividends for from three to five years, but the flood of earnings was so great that there was no excuse for deferring payments. In January, 1916, an initial dividend of 30 per cent was declared on the common stock and in February of last year a 200 per cent stock dividend payable in common "B" stock was declared, and both "A" and "B" common stock were placed on a 10 per cent annual dividend basis. Bethlehem Steel now has an authorized stock issue of $135,000,000 of which slightly more than $100,000,000 is outstanding.

A Dream Realized

The great war has made it possible for Mr. Schwab to realize his dream of becoming the leading steel manufacturer in the entire world. He stands at the head of the industry and is still four years short of sixty years of age. Last November he stated that his company had $600,000,000 of work on hand and added:

"Before the tremendous impetus given to shipbuilding in the United States the capacities of our companies represented between 40 and 50 per cent of the total capacity of the country. I do not know what it is today."

Sought after by captains of industry and kings of finance, his every public word wired to all parts of the country and all over the world, Charles Michael Schwab maintains the same unaffected, hearty bearing and stirring enthusiasm with which he began his career as a stage-coach driver. He cannot be spoiled because he is unspoilable. He has not forgotten that once he was a poor, barefoot boy in a little town in the Pennsylvania Alleghenies.

MONEY--BANKING--BUSINESS

Effect of War Inflation on Business and Investments

II—Financial Position of the United States—Money, Prices and Prosperity—Civil War Inflation

By G. C. SELDEN

IN the preceding article I emphasized the tremendous inflation of both currency and bank deposits which is now going on in Europe, and showed that a considerable degree of inflation already exists in the United States. To understand our own position fully, however, some further explanation is necessary.

The three important factors which contribute to the very great strength of our money position are as follows:

(1) *Our tremendous holdings of gold.* March 1 this country's total stock of gold, including bullion in the treasury, was $3,041,643,000 against $1,887,270,000 on Aug. 1, 1914—an increase of 61%. Most of this additional gold was imported, our net gold imports from Aug. 1, 1914, to Feb. 15, 1918, having been $1,050,911,000. The remainder was, of course, produced in our own domain.

(2) *A far more economical use of our gold.* Before the war each dollar of gold would support about five dollars in bank loans. It will now support, roughly, eight dollars, and if money rates should rise above 6% it would support a great deal more through the exercise of the rediscounting privilege. This means that our total capacity for bank loans is now approximately 2.6 times that before the war, not reckoning any further issues of currency notes based on commercial paper through the rediscounting process.

As we have seen, increased loans mean increased deposits, which in turn mean the increased circulation of checks, and checks do the work of money in making payments. So our capacity for issuing currency which does money-work is now more than two and one-half times that before the war, and is subject to a large further (temporary) increase through the normal operation of the Federal Reserve Law.

(3) *The concentration of our gold in the Federal Reserve Banks.* They now hold $1,793,000,000 gold, which represents a gain of $895,000,000 in a year. This, together with Federal control of the rate of discount, enables the Reserve Board to conserve our gold supply and put it to the best possible use.

The World's Great Gold Reservoir

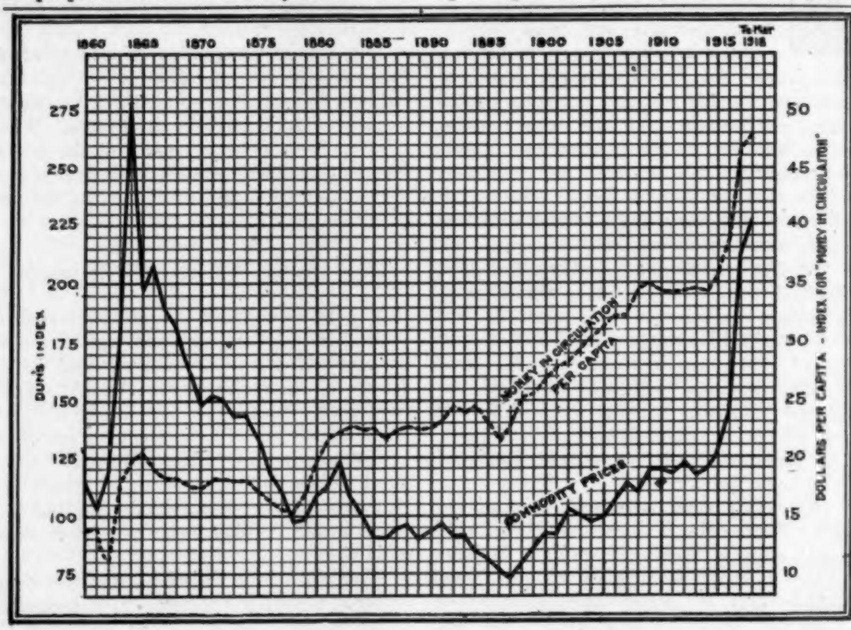
We are now the world's great reservoir of gold. In England, France and Germany the gold is practically concentrated in the hands of the great central banks. Their combined holdings are approximately $2,000,000,000. Russia's gold is out of the reckoning—no one knows what may happen to it. Austria has very little. Italy has none to spare. Japan has some, but will need it all. Other countries have minor holdings.

The possibility, therefore, that this country may be obliged to resort to irredeemable paper money in this war, as we did in the Civil War, is slight. If the war should last five years more no one knows what we might have to do, but that hypothesis seems well-nigh incredible.

I include with this article a graph showing money in circulation per capita in the United States on July 1 of each year from 1860 to 1917, and on March 1, 1918. Money "in circulation" covers all the money in the country (partly estimated) outside of the U. S. Treasury—in other words all the money that is doing money-work. I have also added a line showing average commodity prices according to

Dun's Index for the same dates year by year.

Many interesting points are shown by this condensed graph. We note, for example, that there has been a steady increase in our money per capita throughout almost the entire period. When we remember that the use of bank checks in making payments has also greatly increased—not only in the aggregate but also in proportion to our supplies of cash—we realize that there must be either a great deal more money-work to be done for each person, or else we are using more money in proportion to the money-work to be done. Both statements are true, of course. Business done in this country per capita is very much greater than it was forty years ago; but our money in circulation has also increased in proportion to the business to be done with it, and the rise since the war began is so rapid as to be justly characterized as inflation.



Money and Prosperity

Another interesting fact is that the periods of most rapid increase in business activity *have been accompanied by a sudden rise in money in circulation*: namely, the feverish activity of the Civil War from 1862 to 1865; the recovery from a long period of business dullness which set in in 1878 and lasted until about 1883; the great era of prosperity which covered the years 1897 to 1907; and the wonderful war prosperity which began in 1915.

A third suggestive point is that decreases in money in circulation have been slight and temporary. The gist of the matter is that after each period of rapid expansion in our money supply, there has followed a period during which circulation per capita remained about stationary, and this second period has *in each case* been followed by a Major Panic—in 1873, 1893 and 1914. After this panic a slight fall in the money supply occurred in two instances (after 1873 and 1893) but not in the third case (after 1914).

Without trying to work out the complicated relations of cause and effect in this matter—for it would take a book to do that and then hardly anybody would agree with the book—it is easy enough to see why the cry for "more money"—to be obtained in that particular case through "free sil-

ver"—arose in 1896. Our money supply had remained nearly stationary for fifteen years. An increase in money had been accompanied by great business activity in two periods easily within the memory of the mature voters of that time. To a great many of those voters the conclusion appeared to be obvious. Fortunately—as I believe—to slightly more than half of them it was not obvious.

Money and Prices

One glance at the graph is enough to show that *the supply of money is not the only thing, and probably not the principal thing, that has caused prices to rise and fall.* From 1864 to 1896 prices fell from 278 to 72, while money circulation per capita actually showed a slight increase.

The cause of this great fall in prices is well known and lies entirely outside the field of money and banking. It was the application of machinery to agriculture, manufactures and transportation, so that the effectiveness of each man's work was many times multiplied.

At the end of the Civil War we were still practically a nation of hand workers. Thirty years later the mowing machine had displaced the scythe. The sulky plow, the selfbinding harvester, the horse-operated hay-fork, the cultivator, the planter, and other farming machinery enabled one man to produce perhaps ten times the food that he could raise in 1865. Naturally that food was cheaper. In manufacturing the development of machinery was still greater. Wire nails afford a time-honored example. Improved machinery brought the price of nails down to a small fraction of its previous level. It was during this period that steel displaced wrought iron. A watch, formerly a costly and treasured possession, could be bought in the late eighties for $3.50. And so on throughout the entire field of industry.

This was also the great period of railroad building. Local railways, with their little wood-burning locomotives, were transformed into a nation-wide system gridironing the country. The cost of transportation fell with everything else, and it became possible to cheaply distribute the cheaply manufactured goods made by cheaply fed employees.

All this was an industrial revolution and was the great controlling cause of the fall of prices.

Since 1896, however, the graph shows a different situation. The cheapening of production through improved machinery went on as before, though not so rapidly. The cost of a watch fell to less than a dollar. Mammoth tractor-drawn farm machinery reduced still further the labor required to raise a bushel of wheat. Machinery became more and more automatic. Transportation became vastly more efficient. *Yet prices rose steadily.*

I am not willing to assert that the increased production of gold and the consequent rise in our money supply was the cause of the rise in prices, though it was doubtless one cause; but it seems clear, at least, that the rise in prices *could not have occurred without* the increase in money, for in that case there would not have been enough money to go around. It is simply common sense that it takes more money to handle this country's wheat at $2.00 a bushel than it would take at 60 cents a bushel, and the same with everything else. If the supply of money had remained stationary, high money rates would have checked expansion from time to time and would thus have held prices down.

In Our Previous Great War

Because the present war is almost worldwide, we have no parallel in history which would guide us accurately in estimating the effects of the present war inflation. We have, however, an excellent example of the effects of inflation in one country alone—that in our own Civil War. Without assuming that the present situation will work out just the same, it is well worth our while to see what happened then.

The beginning of the Civil War brought business stagnation fairly comparable to that of 1914. Turning to the liabilities of business failures, which afford the best index to the business conditions of that time, we find that in 1861 they reached the very large figure of $207,210,000. Feverish activity ensued. In 1863 failures were only $7,900,000 and in 1864 $8,579,000. The end of the war in 1865 was not followed by any sudden collapse, but by a gradual decrease in business activity until 1867, which was a rather depressed year. Fail-

ures in these years were as follows:

1865	$17,625,000
1866	53,783,000
1867	96,666,000

Thereafter business was normally active until the panic of 1873.

It is important to remember that the currency of the Civil War was based, not upon gold, but upon Government credit. The tremendous drop in prices when the war ended in 1865, as seen on the graph, was chiefly due to the reestablishment of the credit of the United States. This great readjustment, amounting to a drop of one-third in the average of commodity prices, was accomplished without any immediate disturbance of industry—a fact worth bearing in mind.

Another thing to be carefully noted is that the currency inflation of the Civil War was not succeeded by any corresponding deflation. From 1862 to 1865 currency per capita doubled; but in 1873, the panic year, less than one-quarter of that increase had been lost. By 1878 about half the gain had been cancelled, but three years later the entire fall had been more than regained and we had more currency per capita than ever before, even at the height of the war inflation.

On the other hand, there was a great increase in business and more especially in speculative activity from 1867 to 1872, without any corresponding growth of our supply of money.

Students of trade cycles are pretty much agreed that the panic of 1873 represented the end of a Major Cycle in trade activity which had begun in 1858, and it seems to me that 1873 must be considered as the final clean-up of unsound conditions which had been generated during the wild speculation of the war. Other causes contributed, especially the speculative railroad building of the early 70's; but the currency inflation, easy profits and high prices of the war had done a great deal to overdevelop the speculative instinct of business men, and it took the panic of 1873 and the five years of depression which followed to dispel their rosy visions of sudden wealth and enable them to get their feet on the ground again.

These facts, then, are to be borne in mind in regard to Civil War inflation:

(1) The great fall of prices the year after the war was due to the irredeemable character of the currency, a condition which does not now exist in this country.

(2) This fall of prices did not cause any immediate collapse in business, but there was a moderate recession in activity for two years after the war.

(3) The subsequent fall in prices was due only in small part to deflation of the currency or decrease in money circulation.

(4) From the third to the seventh year after the end of the war business conditions were normal to good, in spite of falling commodity prices and stationary money circulation.

(5) The severity of the panic of 1873 was doubtless accentuated by Civil War inflation and speculation.

(*To be concluded.*)

JUDGE GARY'S OPTIMISM

"I am an optimist, even in these times. There is, as always, a silver lining to the clouds which now obscure our vision. We need not despair. We have reason to be hopeful. There is sunlight beyond. Right will prevail over might; and reason will overcome madness. We shall be victors in the mortal combat that rages, and afterwards our country will make longer and faster strides in the struggle to maintain a deserved and satisfactory position in the ranks of nations. The business men of the United States, in the management of their affairs, have reached a high level of efficiency and moral excellence. They are at present of incalculable assistance to the Government and they may be depended upon to do their part in restoring the world's equilibrium after peace shall be proclaimed. We are proud of our country. Let us continue to give our country reason to be proud of us."—*Elbert H. Gary.*

Leading Opinions

About Financial, Investment, Banking and Business Conditions

Post-War Trade Prospects

The war has opened the eyes of America and of commercial people in all other countries, writes E. M. Herr, president of the Westinghouse Electric & Manufacturing Co. It has made all nations realize, as they never have realized before, the value of foreign trade and commerce; that foreign commerce is based upon natural economic conditions, and when so based it can and must be a benefit to all nations participating, and so bring about the progress of the world and the higher development of civilization.

Assuming we have an adequate merchant marine with ships economically built and efficiently propelled, what further is necessary to enable our merchants and manufacturers to successfully develop our foreign trade after the war?

Let us first consider what competition we will find most difficult. Some light on this important subject may come from an examination of the competition met before the war. Then England and Germany were the leading nations in export trade, the United States being third. In 1913, the combined imports and exports of these countries in dollars were—

England, 7 billions; Germany, 5 billions; United States, upwards of 4 billions; France, 3 billions; Belgium, 1.7 billions; Russia, 1.5 billions; Austria-Hungary, 1.3 billions; Italy, 1.2 billions.

Imports exceeded exports in all the above countries except the United States and Russia. For Great Britain the difference was $650,000,000; for Germany $160,000,000, and for France $315,000,000.

All trade is reciprocal, and we must not forget that if we are to supply a nation with the products of our industry we must take from them a considerable proportion of this trade in their products or establish some trade or financial relation which will enable them to largely pay us in trade for our goods. It requires cooperation among our manufacturing exporters to bring about the best results in this as in other trade matters.

Government May Annul Oil Contracts

The doubt which has of late surrounded the policy to be followed by the Government in dealing with existing contracts between producers of fuel oil and their customers, in the Government's effort to bring about a more equitable distribution of oil for war purposes, ended when Mark L. Requa, Director of the Oil Division of the United States Fuel Administration, made the announcement that whenever the Government deemed it necessary private contracts would be abrogated, and producers ordered to supply oil to indicated industries, regardless of whether a given industry held a contract or not.

Mr. Requa's announcement, in effect, makes available all oil east of the Rocky Mountains for distribution as may be required for the best interests of the nation. If it becomes necessary to set aside existing contracts, the distribution of oil will be under the priority list, as promulgated in the original proclamation of January 31, but the application will be much broader, inasmuch as all the oil will be treated as a unit or pool, rather than dealing with each oil company's stock or production on an individual basis. Mr. Requa said that not only would contract oil be allotted where it was most needed, but that the same thing would apply to spot oil.

—N. Y. *American.*

UNCLE'S AUTOCRACY ERADICATOR.

Harding Urges Lower Interest Rates

Reduction of interest rates on deposits by

trust companies to solve the problem confronting the Federal Reserve Board, brought about by banks increasing interest rates on deposits to induce the transfer of deposits to their coffers from banks paying a lower rate of interest, was asked by Governor Harding of the Federal Reserve Board. In line with this request Governor Harding sent the following telegram to the various Federal reserve banks:

"Board is anxious to have you watch situation in your district with respect to competition for deposits through advancing interest rates, with view of getting banks contemplating advances to defer action and of inducing those who are paying more than normal rates to reduce them. Board feels that government financing should have right of way and that reserve strength of banks would be increased by encouraging the public to invest in the Treasury certificates of indebtedness and Liberty bond issues rather than by banks competing for these funds and thus necessitating heavy investment in these securities for their own account. Wide distribution of Government issues is most important."

—N. Y. *Tribune.*

FIVE IN A BED AND A SHORT QUILT.

Vail Opposes Government Ownership

Theodore N. Vail, President of the American Telephone & Telegraph Company, believes that Government operation of public utilities would be less efficient than the operation of facilities for general public use by the owning companies, subject to Government control and regulation. In his opinion Government control of utilities, including street car lines, electric lighting and power systems, the telegraph and telephone, cannot reach perfection until competition has been eliminated.

"The financial affluence and credit of the Government and its immunity from direct control," he says in the annual report of his company, "and the lack of dependence of the Government employe upon his employment are inseparable, inherent and preponderant factors in Government operation. Therefore the desirable factors of economic and efficient operation are wanting. Whatever can be done by the Government through direct operation can be done more certainly through control and regulation of private operation, thus combining the potency of the sovereign with the initiative and interest of the subject.

"Without entirely abandoning competition, control and regulation have been established. These two are absolutely inconsistent. If the public is getting the fullest advantage of control and regulation, no competition except destructive competition can exist."

"Mobilize Credit Resources"—L. E. Pierson

In an address before the Philadelphia Chamber of Commerce, recently, Lewis E. Pierson, chairman of the Board, Irving National Bank of New York, urged the need of an intensive national campaign of education in the interest of trade acceptance development, so that American credit resources might be mobilized to meet the extraordinary strain to which the American financial situation is being subjected by the war.

"The trade acceptance method," he said "is strong at every point. It is simple, easy of comprehension and of application, operates in the interest of harmony and business understanding, disturbs no proper business relationship, and is so logical in its processes that its introduction into American business need be accompanied by no element of disturbance which should be taken seriously.

"The trade acceptance method is so new to the American business of today, and there are so few people in the country who fully understand it, that quite naturally we do not expect to be able to answer in satisfactory manner every question which can be asked. At this stage in its development, there are points of merit which cannot be fully shown, advantages which cannot be realized upon, and merits not susceptible of complete demonstration."

Our Tremendous Coal Demand

George H. Cushing, editor of the *Black Diamond,* at a luncheon in Chicago with business executives, stated: "The national demand for coal from April 1, 1918, to the same date in 1919 will be 720,000,000 tons. The daily demand will be 2,400,000 tons. The railroad carrying capacity will be 2,500,000 tons and the capacity of mine production will be 2,600,000 tons."

The *Black Diamond* says:

"Two kinds of reports are now heard about the national coal situation. The Federal Fuel Administration has a picture of everybody clamoring for coal and disregarding warmer weather.

"The reports of coal men are entirely different. Retail dealers are cancelling orders when warmer weather approaches and smaller users are putting off buying of coal until later.

"In a word, the big buyer is protecting himself. The little buyer is indifferent.

"The coal mines want to distribute the coal equitably among all classes of users. Therein lies the great and grave danger this year that last season's situation will be duplicated in that there will be movement without distribution."

Babst Blames Congress For Sugar Shortage

Reviewing conditions in the sugar industry following the entrance of the United States into the war, Earl D. Babst, president of the American Sugar Refining Company, in his annual report to stockholders, stated that legislation proposed in Congress last June was largely responsible for the sugar shortage so acute last fall in the East.

"While no one of the three proposals eventually became a law," said Mr. Babst, "yet they came at a time of extreme delicacy in the balance of supplies between Europe and the United States. Europe bought so heavily and seemingly in anticipation of the proposed export war taxes that Cuban supplies were exhausted. These facts, coupled with greatly increased domestic consumption and railroad congestion, brought in the fall months a decided sugar pinch, especially to the New England and Atlantic Coast states."

Pinch of Higher Operating Costs

The Commonwealth Power, Railway & Light Company, in issuing its January earnings statement, presents an interesting exhibit of the effect on earnings of the increase in operating costs.

Operating expense increased 42.23 per cent and net profits after all charges decreased 133 per cent, causing the month to show a deficit. While this is an exceptional case as to percentages, the experience of the company is typical of the utilities. The report says:

"As an indication of the increased cost of operating the properties because of the weather and coal shortage in January, 1918, over January, 1917, the following statement is appended:

Increased cost of coal for electric plants	$51,000
Increased cost of coal for steam heating	43,000
Increased cost of gas, coal and oil	91,000
Increased cost of snow removal	53,000
Increased cost of car repairs	22,000
Total	$260,000

These figures indicate that of a total operating expense of $1,192,647 the increase over January, 1916, was represented by $260,000.

—*Financial America.*

"B'RER RABBIT GET OUT OF THE WAY; LET A MAN RUN WHO KNOWS HOW TO RUN."

Gloomy Prospects For British Trade

A gloomy picture of the outlook for commerce after the war was drawn by Lord Emmott, Director of the British War Trade Department, in an address he delivered recently at the Bishopsgate Institute, London. Discussing Great Britain's ability to meet the cost of the war out of taxation, he said:

"There is an impression that there will be a tremendous trade boom as soon as the war is over. That question must depend a great

deal on what shipping facilities will be available. There is also the question whether the demand for goods will be such as to counteract the fall of prices which must occur after the war. There must be a great fall from the inflated prices of the war, and I am not sure what the effect will be. That fall in itself must tend to depression in trade, not to increased confidence in large trading.

"The question is: Will that fall be sudden or catastrophic or will it be gradual and give trade time to adjust itself to conditions? Our after-war prospects have been much more injured by this war than they were by the Napoleonic wars. Competition with America will be no less than it had been before, and that of Japan will be more formidable. We shall also have to meet competition from India and our own possessions.

"In round figures we are committed now for national purposes—even if we are frugal and parsimonious—to an expenditure of £500,000,000 or £600,000,000 per annum, against the £200,000,000 before the war. Every year that the war goes on at the present rate means an addition of another £100,000,000 per annum. In face of these facts I cannot indulge in a facile optimism."

—Brooklyn *Eagle.*

STAMP IT DOWN!

"After the War—What?"

In general, every prominent nation will be impoverished when the war ends, the most likely exceptions being the United States and Japan, writes C. Frederick Childs in *The Financier.* It follows that millions of men who have been diverted from productive to destructive purposes have grown poorer and poorer so that the vast sum of outstanding credits together with some inflation of currency now existing, will be more than sufficient to meet the immediate demands for capital when peace-time pursuits are reestablished.

As our exports decrease and our imports gradually increase by competition, our available capital will be in less demand. International trade recently has really been conducted by barter and not money; that is, by the exchange of one commodity for another. The reaction from this condtiion, when the United States ceases to purchase war equipment abroad and continues to sell its essential food products to Europe, will create a vast abundance of local capital to be offered for use at competitive rates. Competition of banking resources tends to cheapen money.

An invariable consequence of former wars has been a period in which war industries have ceased and normal production has not got properly under way. The naturally to be expected inertia incident to the starting up of various commercial enterprises previously shut down is one factor; a more important one, however, is the lack of confidence and the temporary unwillingness of business to undertake projects even of legitimate expansion. Time is needed for confidence to be restored. It follows therefore that the terms of peace must be regarded as the principal factor in restoring confidence.

Eliminating the Financial Fakirs

Wall Street men are co-operating with the District Attorney in ridding the financial district of several hundreds of "wildcat" stock gambling corporations which are said to have defrauded the public out of $10,000,000 in worthless securities, says the New York *Times.*

These invaders with their millions of shares, mining and oil stocks principally, many of them from Western cities, have imposed upon the uninformed investors to such an extent as to make their operations a serious menace.

Four indictments and three arrests resulted recently from the District Attorney's investigation of some twenty concerns, the larger part of them incorporated in Delaware. Assistant District Attorney Edward S. Brogan of the Bureau of Commercial Frauds of the District Attorney's office, also has about fifty other complaints against individuals and stock selling agencies.

Bankers and brokers have for some months complained of these extensive frauds against the public, but they had no effective way to reach the offenders. Finally Stock Exchange men appealed to the legal authorities. W. H. Greene, representative of the Stock Exchange Committee on Quotations, told Mr. Brogan that there were some 500 irresponsible stock gambling corporations engaged in unloading worthless securities.

Leading Banking and Brokerage Opinions

Hayden, Stone & Co.—The greatest change in the situation, on which even yet sufficient emphasis has not been laid, is the reversal in Government attitude. The difference between co-operation and antagonism is one on which it is difficult to place any definite measure of value. But all are agreed that it is very great. This is particularly true of the railroads. As matters proceed it becomes evident that it is the intention to maintain these properties in good physical conditon. The prospect is that the owners of these properties will get a fair return on their investment during a very difficult period, and will get the properties themselves back in good condition when things are again normal. The junior securities of many roads appear on this theory especially attractive for the man who looks far ahead.

Mechanics & Metals National Bank—The money outlook is uncertain and hard to gauge. A number of considerations combine to make it so. There are the present very heavy borrowings by the Treasury on short term notes; within a few weeks three billions of these notes will be lodged in the banks. There are the commercial requirements of the country; these need care in handling, because of the constantly changing circumstances both as to industrial conditions and prices. There are the provisions that are being made to meet income tax payments in June. There are the provisions to care for corporate maturities, which for the year 1918 have a grand total of $800,000,000. Above all, there are the prospective heavy advances to borrowers who will subscribe to the Liberty Loan, and whose borrowings will overlap those still outstanding in substantial amount by which bond subscriptions of the Second Liberty Loan were financed.

All the considerations affecting the money market have placed heavy burdens upon the banks of the country. Up to now the banks have played their part well and withstood every test. Taking long and short term securities of the Government, supplying commercial and financial needs, and at the same time holding money rates down to a fair level has been no small task. The task is by no means ended. Next month the Third Liberty Loan, which is to be perhaps the largest single bit of Government financing the world has ever seen, will demand undivided attention, for whether the banks act only as underwriters or are themselves heavy subscribers, the money market will have imposed upon it a heavier strain than on the occasion of either of the two preceding loans.

Shonnard, Mills & Co.—The market, in our opinion, continues in a strong technical position. There have been certain weak spots among high-priced investments; but the stability of the speculative group of securities and particularly of the railroad group more than counterbalances whatever individual weakness has been displayed. With but few exceptions the published reports covering operations during the year 1917 have been sensationally brilliant, and when one looks back upon the talk that was current last summer and fall to the effect that the Government's fiscal program contemplated confiscation of income and even of capital, the extent to which unreasoning hysteria had seized the market can be appreciated.

Goodbody & Co.—Assuming—what we believe to be true—that the securities market is our best barometer of coming financial, economic and political events, the war is neither going badly for the Allies nor is it going to continue as long as most people think. The prices of foreign (Ally) bonds are holding very strong lately. The Anglo-French 5s are now selling above 90 for the first time in many months.

Instinctively, perhaps, Wall Street realizes that Germany is, by her infamous conduct in Russia and elsewhere, making enemies at a rapid rate—considering the few friends she has left—and that it will be costly business for her to maintain her spread-out condition, with enemies multiplying all around and even inside her borders.

The end of the war may be only months off. Soon there will not be room on this little, round earth for the murderous Prussian to lay his diminished head.

Knauth, Nachod & Kuhne.—There never was a time since the European War began when the investment outlook was more interesting than it is today. High-grade securities, although selling in many cases considerably above the low level of last year, are still available at prices which show an extraordinary income return to the purchaser. There has been a good deal of quiet buying of these securities by individuals and institutions which have been accumulating heavy cash balances for just this use. Seasoned dividend stocks have been well taken also, but the volume of this buying has been much restricted as compared with the business ordinarily done in Wall street issues just before the disbursement of the April 1st dividends. Underlying conditions, however, are sufficiently strong to warrant the assumption that any important development in the international situation indicating the possibility of an early peace would find a quick upward response in stock market prices.

War must be the overshadowing factor until peace comes, but it is significant that whereas a year ago the market was accustomed to advance on the indications of continued war, owing to the prosperity in store for industrials engaged on war contracts, the markets of today show conspicuous strength when peace prospects appear brighter. This shows that more normal conditions are obtaining and that the whole world is assuming the common sense view point once more.

BONDS AND INVESTMENTS

Shifting Your Bond Holdings

How the Investor May Increase His Income or the Safety of His Investment by Exchanging One Bond for Another

By WILLIAM T. CONNORS

HOW accurately do current bond prices represent all those factors which, taken together, go to make up that intangible conception, investment value?

If the judgment of investors in the aggregate was infallible, there would be no such thing as selecting bonds. You might just as well shut your eyes, stick a pin into THE MAGAZINE OF WALL STREET'S "Bond Buyer's Guide," and buy the bond you happen to hit. Its price would represent the correct adjustment of interest rate to risk and future prospects.

Everybody knows that such a condition does not exist. Some bonds are cheap at the market and some bonds are dear, in spite of the fact that thousands of investors are constantly combing them over. Why? Because each investor is looking at each bond from his own point of view and not from the point of view of its abstract value.

For example, the savings bank is limited by law to certain bonds. The woman investor, or the man of small capital, is naturally limited to bonds having a very high degree of safety. Investors of that class do not wish to take risks. An investor who expects to hold a bond permanently does not care so much about its immediate price prospects or its marketability as he does about its ultimate security, hence he pays most attention to its claim on the property. Another investor may want to realize on his bond at any time. He wants a bond that will not decline in price, or still better one that will advance. And so on.

In all these ways the human element enters into bond prices, so that judicious selection is always possible.

Market Not Infallible

Moreover, the judgment of investors as a class has certain limitations. For example, they are always more ready to buy securities which are issued by a corporation, a municipality, or a government which is near at hand. They seem to have the feeling that something close by is more dependable. Thus South American securities are hard to sell in the United States, regardless of the investment rating to which they are legitimately entitled. The bonds of municipalities in the West or South sell lower in proportion to their safety than those of municipalities in the East, where more investment money lies close at hand.

Again, investors as a class form their judgment of securities on the basis of broad generalizations rather than from direct analysis. As an illustration, the United Kingdom 5½ per cent. notes due February, 1919, are selling to yield 7.8 per cent., while the French 5½s, due April, 1919, yield 9 per cent. Both these issues are strongly secured by collateral, in addition to the credit of the respective nations. The lower price of the French notes appears to be due to two reasons: First, because France is nearer the battlefront and has therefore suffered more, and, second, because a larger proportion of the British collateral consists of North American and British colonial securities.

Neither of these reasons will stand close examination. In view of the collateral behind the notes, the first reason is practically no reason at all; and, in view of the fact that both notes mature in about a year, I see no particular importance in the second reason. Even supposing that Germany is going to conquer the world, it will take her considerably more than a year to damage the collateral behind either of these notes.

Value of the Mortgage

Many investors, also, place more weight on the character of the mortgage behind a bond than it is entitled to. There is a sort of charm about the words "first mortgage bond," especially when the mortgage applies on certain miles of railroad which are

definitely specified and perhaps shown in blue on the map. Yet every investor knows, when he stops to think, that a first mortgage bond of one company may be a much poorer security than the debenture bond of another, or even a common stock.

Any bond (except a so-called "income bond") is good for both interest and principal until the company goes into receivership; and when it does go into receivership the holder of any bond, first mortgage or otherwise, will experience a good deal of annoyance, troublesome complications, and usually loss. The debenture (that is, note) of a company which is out of all danger of receivership is a great deal better than the first mortgage bond of a company regarding which there is any doubt, even the slightest.

The earning power behind a bond is, after all, the important consideration. The character of the legal claim which the bond has on the property is a secondary element, not to be ignored but to be given far less weight. A number of illustrations of this principle will be found among the exchanges here suggested.

In each class of bonds I will suggest a number of exchanges which it seems to me might well be made at the present time:

Bonds Legal for N. Y. Savings Banks

	Price	Yield
Lake Shore 1st 3½s, 1997	**72¾**	**4.85%**
Penna. Consol. 4½s, 1960	**96**	**4.70**
Gt. Northern 4¼s, 1961	**88½**	**4.90**
Norf. & Western Cons. 4s, 1996	**83½**	**4.80**
may be exchanged into		
Sou. Pac. ref. 4s, 1955	**78½**	**5.35**
C. B. & Q. Ills. 3½s, 1949	**73¼**	**5.25**
Penna. gen. 4½s, 1965	**89½**	**5.10**
Union Pacific refunding 4s, 2008	**78½**	**5.10**

All those in the table above are first grade savings bank bonds. The object of the exchange is to get a higher yield. It will be seen that the return on the second group is pretty nearly one-half per cent. better than on the first group—a considerable difference in bonds of this class.

Take the two Pennsylvania bonds—the difference between them is that the consolidated 4½s are "closer to the tracks" in the way of mortgage claim than the general 4½s; but since, on the basis of a ten years average, the income available for the consolidated 4½s has been about 15 times their interest requirement and for the general 4½s, about 19 times, the character of the mortgage claim is highly unimportant. From the practical point of view I see no reason why the investor should not be just as well off with the general 4½s as with the consolidated 4½s, and he gets nearly one-half per cent. more yield. Since for ten years the total fixed charges of the Pennsylvania have absorbed only about 35 per cent. of the income available to pay them, the chance of receivership is evidently very remote.

The reasons for the other changes suggested are much the same. For example, Chicago, Burlington & Quincy's fixed charges usually take less than 40 per cent. of the income available to pay them, and the average income applicable to the Illinois Division 3½s is more than 8 times the requirement. In this case the bonds, together with the Illinois Division 4s, are also a first lien on 1,647 miles of road, at the rate (for both issues) of $51,000 per mile. The issue is, therefore, a very high grade bond.

Union Pacific's fixed charges use up only about 30 per cent. of the balance usually available to pay them. The $65,000,000 first and refunding 4s of 2008 are a first lien on 1,480 miles and a second lien on 2,080 miles, and the income applicable to them is more than 12 times their interest, on a ten-year basis.

Among the four bonds recommended for a possible exchange there is no essential difference. All are of very high grade.

High Grade Bonds Not Legal for Banks

The individual investor is more interested in the bonds which are not legal for savings banks, since these give a somewhat better yield for the same safety. The reason for this is that the demand from the banks causes legal bonds to sell relatively higher than bonds not legal.

In this class the following changes may be suggested:

	Price	Yield
Southern Ry. Consol. 5s, 1995	**92**	**5.45%**
N. Y. C.—L. S. Coll. 3½s, 1998	**65½**	**5.40**
Cent. Pac. refunding 4s, 1949	**80½**	**5.30**
C. R. I. & P. gen. 4s, 1988	**74½**	**5.40**
Atchison conv. 4s, 1960	**85**	**4.85**
Reading gen. 4s, 1997	**83**	**4.85**
may be exchanged into		
C. B. & Q. joint 4s, 1921	**92½**	**6.60**
Colo. & Sou. 1st 4s, 1929	**83⅞**	**6.00**
Oregon Short L. ref. 4s, 1929	**82½**	**6.15**
Union Pac. conv. 4s, 1927	**84**	**6.25**
Sou. Pac. conv. 5s, 1934	**92⅝**	**5.70**

The reason for these changes is improvement in interest return, the advantage in some cases amounting to over 1 per cent. There are special reasons for the low yields on the Reading general 4s and the Atchison convertibles.

The Reading bonds are being constantly bought in by the company under the provision that five cents per ton on all coal mined in the preceding year from lands owned by the Reading Coal & Iron Co. shall be applied to that purpose at not exceeding par for the bonds. This creates a steady demand for the bonds so that they are kept at a price too high to attract the average investor.

The Atchison convertibles are not a mortgage bond but their interest is generally earned 12 times or more. Only $14,000,000 of this issue are outstanding. They are legal for savings banks in New Hampshire and Rhode Island. They are callable at 110 and are convertible into common stock at par until June 1, 1923. All these elements combine to raise the price of this bond.

Theoretically, there is no reason why the convertible privilege should affect the price of the bond until the stock approaches par, but as a matter of fact, it does. This is another illustration of the fact I have commented on that investors usually form their judgment on the basis of broad generalities rather than direct analysis. The fact that this convertible privilege may have a value later causes investors to favor this bond, in spite of the fact that the market is always here and they could switch into this bond at any time they might desire.

The other bonds I have suggested switching out of call for no special comment.

Taking up the five bonds which I have recommended exchanging into, the Chicago, Burlington & Quincy joint 4s are jointly guaranteed by the Northern Pacific, which earns about 3 times its total interest charges on the basis of the government guaranty of earnings, and the Great Northern, which earns about 4 times its total charges on the same basis. The $215,000,000 of these outstanding are secured by a deposit of 1,076,000 shares of C. B. & Q. stock, or at the rate of $200 per share. This stock pays 8 per cent. dividends and has earned, for the last five years, more than double that. Further comment as to the strength of these bonds is unnecessary. Legal in N. H. and R. I.

Colorado & Southern's fixed charges as a whole usually consume about 60 per cent. of the balance available for them. The first 4s are a first lien on 1,089 miles of road, at $18,000 per mile, and interest for them is normally earned about 6 times over. The earnings of this road have shown rapid improvement since 1914, so that recent earnings have been on a considerably larger scale than above stated. These bonds are legal in Missouri.

Oregon Short Line refunding 4s are guaranteed by the Union Pacific, which, as I have already said, needs only about 30 per cent. of the balance available to pay all its interest charges. For this particular bond the average income available is about 10 times the requirement. It is a first mortgage on 611 miles of road at $24,000 per mile. Legal in Minn., N. H. and R. I.

In view of the strong position of all Union Pacific's bonds, as just mentioned, the fact that 10 times interest charges on the convertible 4s is generally earned has little importance. The convertible privilege has expired, so the bond is not properly called convertible now. Legal in N. H. and R. I.

Southern Pacific earns more than double all its interest charges. Interest on the convertible 5s is usually earned 5 or 6 times. These are callable after June 1 next at 105, and are convertible at par until 1924. Legal in N. H. Particular interest attaches to this convertible privilege because of the government's suit against the company over oil lands which have tremendous potential value. If this suit is decided in favor of the company—as most lawyers expect—all its securities should be benefited and the possibilities for much higher prices for the stock will be greatly increased.

When we come to second grade bonds, factors outside the interest yield become much more important. I will take up exchanges in these bonds and in industrial and some leading public utility bonds in the next issue.

(To be concluded.)

BOND BUYER'S GUIDE

A Classification of Listed Bonds

Arranged by F. M. Van Wicklen

THE following table includes most of the *active* bonds listed on the New York Stock Exchange. An endeavor has been made to arrange these bonds in the order of their desirability as investments, based upon a combination of two factors, namely, security of principal and income return.

In many cases it is difficult to determine whether a certain bond should be rated above or below another, and in this respect the investor who has uppermost in mind security of principal will no doubt differ as to classification, with one who is concerned primarily with the amount of income received from the investment, and *vice verso*. The arrangement below, however, attempts to balance these two factors.

FOREIGN GOVERNMENT BONDS

	Approximate price	Yield about, per cent.
French Govt. 5½s, April, 1919	96⅝	9.00%
U. K. Gt. Brit. & I. 5½s, Feb., 1919	99	7.80
U. K. Gt. Brit. & I. 5½s, Nov., 1919	96¾	7.75
U. K. Gt. Brit. & I. 5½s, Nov., 1921	93½	7.65
U. K. Gt. Brit. & I. 5s, Sept., 1918	99	7.45
Anglo-French 5s, Oct. 15, 1920	90⅛	9.40
Am. For. Sec. 5s, Aug., 1919	95½	8.80
French Cities 6s, Nov., 1919	86⅝	15.60
Paris 6s, Oct. 15, 1921	85¼	11.00
Dom. Canada 5s, April, 1921	95	6.85
Dom. Canada 5s, April, 1926	92½	6.20
Dom. Canada 5s, April, 1931	91½	5.95
Japanese 2d Series, Germ. Stpd. 4½s, 1925 (Par $974)	78¼	8.05

RAILROAD BONDS LEGAL FOR NEW YORK STATE SAVINGS BANKS

First Grade:

C. Burl. & Q., Ill. 3½s, 1949	73¼	5.25%
So. Pac. Ref. 4s, 1955	78½	5.35
Lou. & Nash. Unified 4s, 1940	83¼	5.30
At. Coast Line Cons. 4s, 1952	82	5.15
Nor. Pacific p. l. 4s, 1997	80¼	5.00
Union Pacific 1st 4s, 1947	86½	4.90
C. & North West. Gen. 4s, 1987	82¼	4.90
N. Y. Cent. 1st 3½s, 1997	71	4.95
Atch. T. & S. Fe Gen. 4s, 1995	81¾	4.90
Pennsylvania Gen. 4½s, 1965	89½	5.10
Union Pacific Ref. 4s, 2008	78½	5.10
Lake Shore 1st 3½s, 1997	72¾	4.85
Nor. & West. Cons. 4s, 1996	83½	4.80
Pennsylvania Consol. 4½s, 1960	96	4.70
C. Burl. & Q. Gen. 4s, 1958	82	5.05
Illinois Cen. Ref. 4s, 1955	80½	5.20
M. St. P. & S. S. Marie Cons. 4s, 1938	85	5.20
Balt. & Ohio p. l. 3½s, 1925	87	5.65
Balt. & Ohio 1/4s, 1948	77	5.60
Nor. Pacific Gen. 3s, 2047	57½	5.25
Gt. Northern 4¼s, 1961	88½	4.90
C. M. & St. Paul Gen. 4½s, 1989	82½	5.50

Second Grade:

C. M. & St. Paul Conv. 4½s, 1932	73½	7.50%
Balt. & Ohio Conv. 4½s, 1933	77	6.95
C. M. & St. Paul Ref. 4½, 2014	67	6.75
C. M. & St. Paul Conv. 5s, 2014	79	6.30
Balt. & Ohio Ref. 5s, 1995	80½	6.20
N. Y. Cent. Ref. 4½s, 2013	84	5.35

RAILROAD BONDS NOT LEGAL FOR NEW YORK SAVINGS BANKS

First Grade:

C. Burl. & Q. Joint 4s, 1921	92½	6.60%
Col. & So. 1/4s, 1929	83⅞	6.00
Oregon Sh. Line Ref. 4s, 1929	82½	6.15
At. Coast L., L. & N. Coll. 4s, 1952	71½	6.00
Southern Ry. Cons. 5s, 1995	92	5.45
Lake Shore Deb. 4s, 1928	85	5.95
Ill. Cent.—C. St. L. & N. O. Joint 5s, 1963	86	5.90
Union Pacific Conv. 4s, 1927	84	6.25
Seaboard A. L. 1/4s, 1950	72	6.00
Kans. C. So. 1/3s, 1950	60	5.75
Wabash 1/5s, 1939	92½	5.60
Kans. City Term. 1/4s, 1960	74½	5.60
N. Y. Cent. L. S. Coll. 3½s, 1998	65½	5.40
Virginian Ry. 1/5s, 1962	89½	5.65
Cent. Pac. Ref. 4s, 1949	80½	5.30
C. Rock I. & Pac. Gen. 4s, 1988	74½	5.40
Atch. T. & S. Fe Conv. 4s, 1960	85	4.85
Reading Gen. 4s, 1997	83	4.85

Second Grade:

St. L.-San Fran. p. l. 4s, 1950	57¾	7.50%
Den. & R. Grande Cons. 4s, 1936	65	7.50
Mo. Pac. Ref. 5s, 1923	91	7.25
So. Pac. Conv. 4s, 1929	77	6.90
Ches. & Ohio Conv. 4½s, 1930	72	8.00
So. Pac. Conv. 5s, 1934	92¾	5.70
Ches. & Ohio Conv. 5s, 1946	81	6.50
C. Rock I. & Pac. Ref. 4s, 1934	64	8.00
Col. & So. Ref. 4½s, 1935	69½	7.75
Kans. C. So. Ref. 5s, 1950	74¾	7.00
N. Y. Cent. Conv. 6s, 1935	93	6.70
Erie Cons. 4s, 1996	66	6.15
Pere Marquette 5s, 1956	80	6.40
C. M. & St. Paul 4s, 1925	79	7.65
Mo. Pac. Gen. 4s, 1975	57	7.20
C. C. C. & St. Louis Gen. 4s, 1993	61	6.60
St. L. So. West. 1/4s, 1989	66	6.15
Erie Gen. 4s, 1996	51½	7.90
Southern Ry. Deb. 4s, 1956	61	6.90
Chic. Gt. West. 1/4s, 1959	55	7.50
West. Md. 1/4s, 1952	59½	7.20

INDUSTRIAL BONDS

Western Electric 1/5s, 1922	96¼	5.90%
Central Leather 1/5s, 1925	95½	5.75
Nat. Tube 1/5s, 1952	95	5.30
Lackawanna Steel Cons. 5s, 1950	90	5.70
Beth. Steel Ref. 5s, 1942	92½	5.55
Midvale Steel 5s, 1936	81½	6.75
Inter. Mer. Mar. 1/6s, 1941	92	6.65
Am. Smelt. & Ref. 1/5s, 1947	87	5.95
U. S. Steel s. f. 5s, 1963	98	5.10
Indiana Steel 1/5s, 1952	95¾	5.25
Rep. I. & Steel 5s, 1940	96½	5.25
U. S. Rubber Ref. 5s, 1947	77½	6.75
Am. Agri. Chem. Conv. 5s, 1924	93½	6.25
Wilson & Co. 1/6s, 1941	95	6.40
Va. Car. Chem. 1/5s, 1923	94½	6.15
Chili Copper Conv. 7s, 1923	105½	5.75

PUBLIC UTILITY BONDS

Am. Tel. & Tel. Coll. 4s, 1929	81½	6.25%
Int. Rap. Tran. Ref. 5s, 1966	80½	6.30
Am. Tel. & Tel. Coll. 5s, 1946	92	5.60
N. Y. Telephone Gen. 4½s, 1939	88½	5.40
Consol. Gas N. Y. Conv. 6s, 1920	100	6.00
Public Service Corp. N. J. 5s, 1959	81½	6.25
Int.-Met. Coll. 4½s, 1956	53¾	8.70

Safety First for the Woman Investor

Why She Should Study Intrinsic Values—Traps for the Unwary or Ignorant—Classes of Securities in Which a Woman Should Invest

By LILLIAN C. KEARNEY
Author of "What Every Business Woman Should Know"

WHEN a woman goes into the commodity market to purchase a dress, a hat, shoes, or the like, she is careful to look into the quality of the article she desires to buy, to ascertain whether it is worth the price being asked for it. In other words, she assures herself of its "intrinsic value" before purchasing. Yet a woman will go into the security market without a thought of using the same caution she has used in the commodity market. And it is usually the women who can least afford to take risks who do,—widows and orphans with inherited funds to invest and middle-aged working women with small savings.

Prey to Wolves of Finance

This was demonstrated at the last sale of Liberty Bonds. One woman in a hundred knew the difference between the coupon and registered issues—even after it had been explained. These "lambs," to whom the bait of high interest returns is always irresistible, are fleeced with consummate ease by glib and ingratiating rogues, the Wolves of Wall Street. One of the "wooliest" of these lambs was a woman of the business world who had ample opportunity to learn at least the fundamental principles of safe investing. Relying solely upon the beguiling prospectus sent her by the promoter of a rubber tire concern, she invested her savings of $250 in ten shares of a company the management, prospects and purposes of which were wholly unknown to her—a financial courtship that, needless to say, ended in the speedy divorce of her $250. Shortly after the collapse of the company an ostensible effort was made to reorganize it and she was given the "privilege" of subscribing to new stock.

Another business woman who had arrived at the conviction that but few women were mentally capable of understanding the complicated science of investments, sought the advice of a friend whom she knew to be an honest and skillful business man having no self-interests to serve, with the result that her savings were placed in a sound and conservative investment yielding a satisfactory income and promising to greatly enhance in value with the progress of the business.

SAFETY FIRST! should be the slogan of the woman investor. She should avoid the pitfalls to be found in such get-rich-quick offerings as oil and mining "prospects," in buying speculative stocks on margin, or investing in second mortgages for the sake of the higher interest rate.

Sound Investments

Bankers are usually very much averse to suggesting anything that even borders on the speculative for their women clients. They are often too conservative. Among the investments most often recommended by them are:

Securities in which savings banks are compelled to employ their funds, these being surrounded by every legal restriction possible to protect depositors.

Preferred stocks of companies known by them to be on a sound financial basis.

High grade municipal, public utility, industrial and railway securities.

Mortgage bonds on church property, the "moral obligation" of this class of investment making them highly attractive.

Guaranteed mortgages on improved real estate.

For the middle-aged working woman with no near kin, annuities.

A savings bank account that carries 4% or 4½% interest cannot be considered otherwise than a good, safe investment.

Postal savings accounts are safe, but unremunerative.

Readers' Round Table

EDITOR, THE MAGAZINE OF WALL STREET:

IN the rural county of Central Ohio where I live, of some three thousand people, about fifteen hundred bought about $875,000 of the first Liberty Loans, largely over subscribing each. In January, after a slow start, with snow-blocked, almost impassable roads, this county bought $73,257 in War Stamps, cost value. The accurate figures are not at hand; these, I judge, are now held by not less than three thousand individuals.

The average investor, apart from patriotic impulses, is not greatly interested in the War Saving campaign. But the intelligent investor—which the average is not always—cannot fail to be interested in something which, if fully realized, may fundamentally, and for all time, affect investment conditions in the United States.

Two conclusions, it seems to me, may not unwarrantably be drawn from the facts which I first stated. One is that, in some localities at least, if the sale of stamps remains only constant, the war can in this way be financed in 1918 to an amount just about equivalent to the first two sales of bonds. It is also fairly clear that ten times as many—perhaps twice ten times as many—people will buy the stamps.

A good deal has been said by some of the investment houses about the possibilities of the baby bonds. I venture, therefore, at once the assertion that both as a means of raising funds and as a method of winning newcomers to the investment fold, the baby bond isn't really comparable to the War Stamp. And this, it seems to me, is a point which, though it may have been decided, ought again to be considered in the light of the new facts by the Treasury Department. Will the Department unnecessarily and inadvisably continue to delay the deliveries by printing $50 denominations?

But the champions of the baby bond—Mr. John Muir, for example—may still urge the larger educational value of selling bonds rather than stamps. This I grant only in part. The man who has bought War Stamps has at least begun to think in terms of security, convertibility and return. His spectacles have looked over the counter of the savings bank, beyond the note of his neighbor, and have fastened on an income bearing obligation.

And how shall he be brought inside?

The experience of the stamp campaign, where it has been a success is not uninstructive. In a hamlet of barely a hundred people in this county, in the last week in January, the postmaster sold $3,759 in War Stamps, cost value.

Now, nothing could be less efficient in small communities than the present method of selling securities by traveling salesmen. The salesman doesn't even skim the surface: he gets only the drops and the faker gets the rest—how much only the country banker knows. For many years, therefore, I've thought this work ought to be done by local banking agencies, which touch the communities just as the postmaster does.

As with so many undertakings, the government has so far rather badly blundered in the stamp campaign. Many pounds of comparatively valueless literature have been mailed broadcast, while the one or two really serviceable pieces have not been readily accessible. All sorts of stunts are suggested by men at desks, which are not worth even a trial in the field. Apparently, wholly forgetful of the experience of the first loan, which was put over, in this section at least, by the volunteer but expert bond salesmen, the government in trying in Ohio to place blocks of securities in amounts varying from a half to two or three millions through willing, but for the most part inexperienced, "county chairmen," who are advanced not even the cost of a stenographer.

Naturally, the results have been anything but satisfactory. No figures are available as I write, but my impression is that up to Feb. 1, in the country as a whole, not two per cent of the issue has been sold.

But the scheme is brilliantly sound in conception. With better machinery, with the sounder psychology necessary to a great selling campaign, it may, as I said at the outset, prove not only an important method of war financing but have, as well, an incalculable influence on the economic and investment future of the United States.

RALPH C. RINGWALT.

Investment Inquiries

American Can Recommended

H. R. C., Cohoes, N. Y.—American Can is somewhat speculative, and its capitalization very generous. The conservative dividend policy of the company has now placed it in a good financial and physical position. The common stock will join the ranks of the dividend payers. The company's business is a very stable one and it should therefore be able to maintain its earnings through good and bad times. The use of its products has increased enormously in the last decade. Every indication is that the demand will continue to be on an ascending scale for some years to come. The shares are being bought because of their valuable equities rather than immediate dividend prospects.

We refer you to our article "American Can Compared With National Biscuit" in the February 2 issue of the MAGAZINE. The information that it contains will be of considerable value to you in determining whether to dispose of your stock. As you have now a profit of about $6 a share, it might be advisable for you to sell it with a view to repurchasing at a lower lever or investing the proceeds in one of the more attractive stocks and bonds recommended in the last two issues of the MAGAZINE. If you can hold Can indefinitely, through all fluctuations, your speculation should be profitable in the long run.

An Exchange of Convertibles

L. B. S., Springfield, Ohio.—Baltimore & Ohio, convertible 4½s are very good investment bonds, but in your case we prefer to recommend the purchase of Chesapeake & Ohio convertible 5s, for the latter appear to be in a better speculative position to respond to good news, such as "peace," or the extension of credit facilities, to the railroads.

The Decline in Chicago Rwys. Five Per Cents

F. C. W., Baltimore, Md.—There is nothing radically wrong with the Chicago Railways Company. The earnings of the company, like those of all other traction companies, have been rather seriously affected by the increasing costs of operation and of maintenance and equipment. These draw-backs have naturally had their effect on the margin of safety of the bonds. It does not appear that this reduction in the margin of safety is large enough to impair the ultimate position of the bonds, but the Chicago Railways Company has never made a very impressive exhibit of earnings for total interest charges and in times like the present, when the highest-grade securities are declining, it cannot be wondered at that its 5% bonds sell around 80. If you are content to hold the bonds for income only so far as the present is concerned, and to disregard temporary further depression in the price, we feel warranted in advising you to keep them.

Sound Preferred Railroads

A. D. M., Winsted, Conn.—We are not advising general and full investment in the common stocks of railroads at this time. Preferred issues of roads like Atchinson, Great Northern, Union Pacific, Southern, Kansas City, Wabash, Colo. & South should, however, be purchased regardless of temporary price depression. Although facing large increases in the cost of materials and labor Government guarantee will stabilize their investment status during the war and for some time after. These increases in operations have been reflected in the statements of earnings for 1917. You have no doubt read the report on the Pennsylvania Railroad, which came out recently. It shows how conditions have affected a high class road like Pennsylvania.

Ohio Oil's Dividend Prospects

E. L. G., Queens, N. Y.—Ohio Oil is one of the Standard Oil stocks which has been most favorably affected by the announcement of the Treasury Department to the effect that stock dividends will not be subject to income tax. Not very long ago the Ohio Oil Company proposed to increase its capitalization 300% by changing the par value of the stock from $25 a share to $100 a share. This step was blocked, however, by the State of Ohio, which refused to grant the company permission to so increase the par value of its stock. The action would have been tantamount to the declaration of a 300% stock dividend.

What steps will now be taken to readjust the capital of the Ohio Oil Company so that it may be brought in line with the earning power and surplus, remains to be seen. But it is logical to suppose that the company will seriously consider doing something along the lines of increasing its capital.

In recent years the Ohio Oil Company has expanded its operations in the Wyoming fields, where it has met with marked success, and where it is potentially capable of a very great expansion in the next few years. Certainly the stock has not discounted the possibilities over the next four or five years, but its recent rise has been a sharp one, and we should hesitate to suggest a purchase at the market except in the case of a buyer who is ready and willing to hold the stock regardless of temporary fluctuations and to average on a further decline.

The Danger in "Switching"

S. A. C., Scranton, Pa.—Your idea of selling Magma and switching into another issue temporarily is a good one, if you are sure that Magma will conveniently stay down while you are making money in the other. If you can get a satisfactory guarantee, safe beyond question, we would recommend the switch. It usually happens that anyone who "trades in and out" is left far behind when the real move starts. This happened before when Magma

was inactive between 16 and 20; also when United Verde Extension was sluggish between 5 and 10. We doubt whether in the subsequent rise to around 60 and 40, respectively, the agile in-and-out traders received a better reward for work and worry than patient holders who did nothing, but wait.

Pierce Preferred Attractive

N. D. B., Los Angeles, Calif.—Pierce Arrow Motors Pfd. is a fairly good investment. Total amount of this stock is $10,000,000. The company has no funded debt. Its annual earnings on the preferred for 1917 were 50.61 per cent. and for 1916 40.71 per cent. Current assets for the year ending April 30th, 1917, were $14,190,117, against liabilities of $2,242,367. This places the company in a favorable position. It earned on its common $17.04 in 1917, and $13.08 in 1916. The company has a good model of cars, and an excellent plant. It received a contract from the War Department for 1,500 one and one-half ton trucks to cost $3,500 each. It manufactures a high priced car, and should do well again in the pleasure car field under normal conditions.

Seaboard Air Line Adjustments

W. B., Yonkers, N. Y.—Toledo, Peoria & Western Railroads, first 4's, should benefit through the improved railroad situation. The company is controlled by the Pennsylvania and Burlington, but the bonds and coupons are not guaranteed. There is a committee in charge, representing bondholders, but we have not been informed that the interest will be paid in the near future.

If you can sell your bonds around 50, we would recommend a switch into Seaboard Air Line, adj. 5's, selling around 52. These are no more hazardous than the T. P. W. 4's; the income is liberal and well secured, and we see no reason to doubt the continuance of the interest of 5%, especially under the Government's guarantee.

Glenrock's Market Plight

J. A. U., Lynchburg, Va.—Glenrock Oil had a sensational decline from around 15, due to dissension in the underwriting syndicate. Members sold out, others followed suit, and the stock was left to support itself. We understand the major pool holdings have been liquidated. The company has a fair production in Oklahoma. We would not, however, advise a purchase excepting upon a speculative basis. It is as attractive at this level as any of the low priced oils.

Rock Island Should Do Well

F. L. K., Buffalo, N. Y.—Rock Island common should do well with or without the Government plan of control, or under the Government control and guarantee of earnings assured for this reorganized road. Rock Island has been doing very well since the receivership, and the placing of the A. and B. stocks on a dividend basis has advanced the common nearer dividends, although we do not believe they will be placed upon a dividend basis for quite some time. The reorganization has had the effect of scaling down the capitalization and placing the junior shares in a strong position. We believe by exercising patience, you will be able to purchase Rock Island at lower and more attractive levels, and suggest that you watch your opportunity to do so.

Reading's Distribution?

S. R. T., Jacksonville, Fla.—Reading has had a speculative advance, due to the hope that Government guarantee of railroad earnings may result in a distribution of equities in coal and iron properties. We believe the move purely speculative, and as we see it, the shares are now selling at or around top figures for the present rally. When a real distribution becomes probable there will be time enough to buy. Undoubtedly they are intrinsically worth even more than the present price. But a holder at around 87 is assuming a fair speculative risk in this market, and your commitment should be protected by a stop order so that in the event of the market turning downward you will not be "hung up" indefinitely. As a speculative holding we would close out the trade.

Cities Service Pfd. Selling Low

A. M. D., Nashville, Tenn.—Cities Service preferred has undergone a readjustment along with many other sound dividend paying stocks during the past year, as it was selling too high at 95, when other issues of merit were selling upon a 7% to 8% basis. We regard Cities Service preferred favorably at these levels, and although it would decline further in a reactionary market, they will do better as soon as conditions are more favorable. As you would lose twenty points by selling, we advise you to hold. The dividend appears secured by earnings, the company has a good management, and the only trouble so far as we can see is that this issue has had to compete with other attractive investment issues yielding a more generous return.

Smith Motors Improved

T. J. E., Pittsfield, Mass.—Smith Motors has rallied since we last wrote you, due to the work of the reorganization committee and extension of credit in respect of the notes due recently. The company is in a stronger position and better able to carry on its business with financial support it is now receiving. We believe the shares are in a position to rally still further, but we would not lose the opportunity to realize a part of your holdings if any further advance takes place. Such an advance is probable, and will give you an opportunity to liquidate to better advantage. The position is not materially better.

Colorado Fuel & Iron—Midvale Steel

Two Important Steel Companies Analyzed and Compared—Earning Power and Dividend Policies—Position of Securities

By MEREDITH C. LAFFEY

DURING the last two years or so, steel and prosperity have been almost synonymous, yet there have been rather wide differences in the degrees in which various companies have been able to take advantage of these highly propitious times. A case in point is the comparative profits and stock values of Colorado Fuel & Iron and Midvale, the latter's stock selling considerably higher on a $50 par value than the Colorado company's on a $100 par value.

A large part of this difference in earning power is properly assignable to differences in opportunity, notwithstanding the general state of prosperity. For example, a concern like Midvale, located close to the seaboard and owning plants adapted to turning out highly specialized finished products, was in a much better position to obtain orders for allied munitions, the cream of the business from the standpoint of profits, than a company whose field of operations is far inland, and whose products are more confined to the raw material or less highly specialized products. Colorado Fuel & Iron has been less able, therefore, to secure high profits, notwithstanding that its operations have been pushed to capacity.

The Midvale Combination

The Midvale Steel & Ordnance Company was incorporated in 1915 as a combination of the following companies, some of which were acquired some time later:

	Cost of Acquisition Total	Per Share
Midvale Steel Co.	$22,000,000	$230
Worth Bros. / Coatesville Rolling Mills Co.	18,500,000	
Remington Arms Co.	20,000,000	
Buena Vista Iron Co.	Not Stated	
Cambria Steel Co.	70,880,508	81

The Wilmington Steel Company was also bought up and coal lands adjoining the already controlled Marianna Mines (Union Coal & Coke Company) were acquired from the Pittsburg-Westmoreland Coal Company for about $9,000,000. The Marianna Mines cost the company about $3,500,000. These two properties comprise over 21,000 acres. An additional 15,000 acres in Westmoreland and Washington Counties, Pa., were taken over last March from the Pittsburg-Westmoreland Coal Company.

The Midvale Steel Company proper has been in successful operation for many years at Nicetown, Pa., and has been known chiefly as a producer of armor plate, although it is also a manufacturer of steel wheels, forgings, axes, etc. Dividends were paid regularly at the rates of from 4 per cent. to 6 per cent. during the four or five years preceding the war. While this would seem to make the purchase price of the combine ($230) rather high, in the 15 months ended December 31, 1916, the company earned about 30 per cent. of the cost price.

Worth Bros. and the Coatesville Rolling Mills had previously been rather family concerns. Their annual capacity was about 350,000 tons of basic, forge, and founding pig iron, and their plate capacity was very large. The Remington Arms Company was organized to handle a contract from the British Government for 2,000,000 rifles. The cost of this property was written off to the extent of $15,000,000 on Midvale's books last year—a recognition of the temporary nature of the business, and the fact that little or no profit was made by this subsidiary. It has recently been dissolved. The Buena Vista Iron Company owns a tract of land in Cuba, adjacent to tracts of the United States Steel and Pennsylvania Steel companies, estimated to contain 300,-

000,000 tons of high-grade iron ore, containing a high proportion of nickel. This ore is very suitable for producing the alloy steel which forms a large proportion of Midvale's business.

Cambria Steel

The big Midvale subsidiary is the Cambria Steel Company, formerly controlled by the Pennsylvania Railroad through the Pennsylvania Company. It was for the purpose of obtaining funds to acquire this property that Midvale issued its $45,911,000 bonds and $25,000,000 of its capital stock.

Cambria owns extensive iron mines in Michigan and a large fleet of lake steamers. Its finished products cover a wide range of goods, but, as might be expected from the Pennsylvania's interest in the property, rails, rail joints, car and locomotive axles, and railway supplies of many kinds were specialties. The company was a consistently good earner, and even in the year 1914 reported a net income almost large enough to pay the annual interest on the entire issue of Midvale Steel & Ordnance Sinking Fund 5s. In 1916 it earned, as did Midvale Steel, about 30 per cent. on its cost to the parent company.

Midvale Steel & Ordnance has been sometimes referred to as practically a mere munitions concern. Such is not the case, however, as the above bare outline of its properties show. It is in an excellent position as regards raw material, with its extensive Lake and Cuban ore properties, its Pennsylvania coal lands, coke ovens, etc., and its great steel works, to turn out perhaps a greater diversity of products than any steel company except the United States Steel Corporation.

Colorado Fuel a Rockefeller Property

The Colorado Fuel & Iron Company is an older, more staid concern and has been much less spectacular than the general run of big steel companies in its recent profits. The company was incorporated in 1892 and owns extensive steel works at Pueblo, Col., having an annual capacity of 550,000 tons of finished steel. This is the largest plant west of the Mississippi river. Other properties are iron mines in Colorado, Wyoming and New Mexico; 25 coal mines, including the only anthracite mines in the west, and extensive undeveloped iron, coal and timber lands. It also operates under lease from the Atchison, Topeka & Santa Fe Railway 19,200 acres of coal land, 129 coke ovens and coal yards at Denver and Pueblo.

As is well known, the Colorado Fuel & Iron is a Rockefeller property. It has never been very profitable, the severe labor troubles with which the company had to contend for several years having contributed to hold down earnings, and to disturb industrial conditions throughout the entire State of Colorado. The products of the company are not so highly specialized as those of the Midvale company. A large part of its sales are coal, but the profits are more than 90 per cent. derived from the iron and steel department.

Midvale Analyzed

With the exception of some figures for the subsidiary companies, the only earnings which we have for the Midvale company are for the two and one-quarter years ended December 31, 1917, and even for this period we have only the net figures, the volume of gross sales not being given, but it is quite certain, if we may judge by the previous earning power of the subsidiaries, that the profit per dollar of sales was decidedly high in both 1916 and 1917, probably not less than 30 cents, exclusive of the Remington Arms results.

For the last three months of 1915, previous to the acquisition of Cambria, net income was $1,441,886, or at the rate of about $5,765,000 annually. The big jump in profits came in 1916, as shown in the table which follows:

	1917	1916
Total Income	$71,264,560	$37,606,018
Fixed Charges*	37,029,057	6,145,805
Balance	$34,235,503	$31,460,213
Dividends (12%)	12,000,000	....
Balance	$22,235,503	$31,460,213
Earned on Stock	34.23%	31.46%

*Including $3,560,277 for depreciation in 1916, and $6,415,039 in 1917; $27,360,270 federal taxes in 1917.

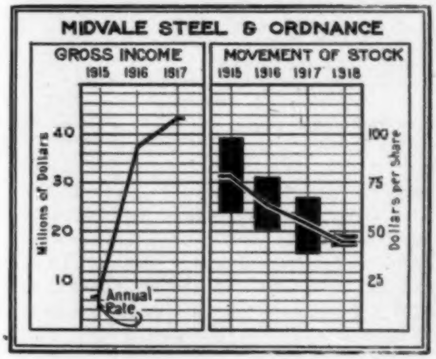
The dividend policy is surely not open to question, for in two years only $12,000,000 has been paid out, out of $65,695,716 earned. The significance of this total is best appreciated by comparing it with the

capitalization, which was as follows on December 31, 1916:

FUNDED DEBT

Midvale Sink. Fund 5's	$45,366,000
Subsidiary Bonds	13,772,000
Total	$59,138,000
Stock ($50 par)	100,000,000
Total	$159,138,000

The $53,695,716 of undistributed profits is equal to about 34 per cent. of the total capitalization, and to 53.7 per cent. ($26.85 per share) on the capital stock.



The current quotation of the stock is about 44¾. If we deduct from this market price the undistributed profits, we have only $18 per share, or $36,000,000 of the total to be accounted for, from an asset standpoint, by the original property. The $95,000,000 or so of property which is required to offset this $36,000,000 of stock and the bonded debt is an amount not so greatly in excess of the actual net working capital alone, and the physical property represents an additional investment of many millions. Midvale is not by any means inflated at its selling price, and while it is difficult to estimate its peace-time earning power, the indications are that the 12 per cent. rate is fairly well assured under all ordinary conditions, and that at least 6 per cent. ought to be available for dividends in years of very poor business.

Midvale's working capital as of December 31, 1916, was $59,382,611, or just about the amount of the debt, and should be around $70,000,000 now. To only a moderate extent have surplus earnings gone into extensions and additions, so there has been no need of heavy borrowing, as in the case of Bethlehem, and the company is unlikely to emerge from the war in an extended position, and with facilities largely in excess of its needs.

Midvale Steel 5s are subject to an annual sinking fund of $500,000 which will effect a substantial reduction of the company's debt. They appear to be a very fair grade of industrial bond. The stock rapidly rose from its issue price to 98½ in 1915, and its big decline since did not contribute to its repute, but it has been well shaken down, and is by no means unattractive at its current quotation.

Colorado Fuel's Earnings

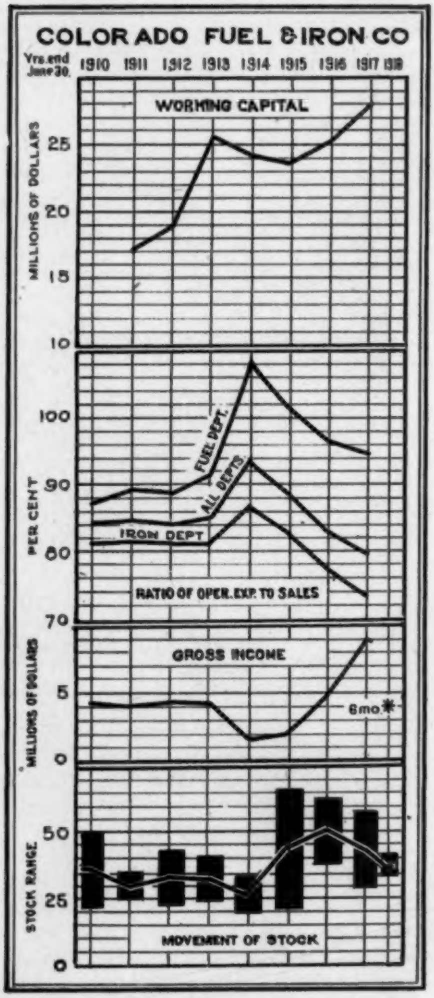
When we come to the earning power of Colorado Fuel & Iron, we have to deal with smaller figures. From 1908 to 1913 inclusive, gross sales varied between $20,000,000 and $24,000,000, with net revenues running from $2,550,000 to $3,775,000. In 1914 and 1915 both gross and net fell off sharply, but established a high record in the year ended June 30, 1916, and surpassed the 1916 figures by far in 1917, as summarized below:

	1917	1916	1915
Gross Sales ..	$40,004,886	$25,626,605	$16,578,040
Net Revs. ...	8,233,318	4,346,086	1,765,058
Other Inc. ..	786,284	624,991	496,043
Total Inc.....	$9,019,602	$4,971,077	$2,261,101
Fixed Chgs...	5,040,133	2,769,907	2,595,763
Balance	$3,979,469	$2,201,171	*$334,611
Pref. Div. ...	760,000	600,000	....
Balance	$3,219,469	$1,607,171	*$334,611
Earned on Common	11.2%	6%	....

*Deficit.

The gross revenues make a sizable total, but the profits derived therefrom are not quite up to the standard of the more successful steel companies. The reason for this is to be found in the fuel department, as seen by the graph. In 1914 and 1915, the fuel department was conducted at an actual operating loss, while its aver-

age expenses over a ten-year period have been 93.7 per cent. of sales. The relative volume of the fuel sales to the total sales has declined materially of late and amounted to only about 28 per cent. of gross sales and brought in only 7½ per



cent. of the profits in 1917. As a steel and iron concern, the results are very much better, operating expenses having averaged 81.7 per cent. over a period of years, as compared with 80.7 per cent. for United States Steel and 79.7 per cent. for Lackawanna, for example. In the two years ended June 30, 1917, Colorado Fuel averaged 75.4 per cent. on its iron and steel sales, but the fuel expenses pulled the operating profits down to 18.2 cents on a dollar of sales, where U. S. Steel was making about 29.5 cents in the calendar year 1916, and Lackawanna was making 31.7 cents.

If Colorado Fuel & Iron could have made 30 cents on each dollar of sales, it would have reported about 25 per cent. on its common stock instead of the 11.2 per cent. actually earned. The failure of the company's coal business to properly carry itself is plainly the unfortunate feature of Colorado Fuel & Iron's affairs.

The capitalization of the company is as follows:

Funded Debt, including subsidiaries	**$39,639,000**
Preferred Stock, 8% Cum.	**2,000,000**
Common Stock	**34,235,000**
Total	**$75,874,000**

In the five years since the capitalization has stood at approximately this figure, the average earnings have been only 5.9 per cent. on the capital, a none too satisfactory record. Over half of the total being represented by bonds, fixed charges are heavy and have regularly been earned 1.80 or less times; in 1914 and 1915 they were not fully covered. The credit of the company is handicapped by this high debt. The preferred stock is so small in amount that a small surplus over charges is sufficient to cover the dividend. Dividends have been irregular, but are now fully paid up.

The margin for the common has been slight; from 1908 to 1913 it averaged 3.79 per cent.; for 1914 and 1915, nothing; for 1916, 5.97 per cent.; for 1917, 11.2 per cent., and for the six months ended December 31, 1916, at the rate of 14.8 per cent.

An initial dividend of ¾ per cent. was paid on the common July 25, 1917, and has been continued quarterly at this rate. This stock did not receive the conspicuous attention of Bethlehem and Midvale in the war stock speculation, but participated none the less in the rise, going from 21¾ to 66½ in 1915, a more than 200 per cent. jump. The inevitable slump carried it back to 29¾ late in 1917, from which it has rebounded to a current price of about

39. At this figure it is moderately attractive, but not apparently an exceptional purchase.

Working capital has expanded from $17,200,173 in 1911, to $28,187,229 in 1917, as shown in the graph, but unlike Midvale's is not large enough to fully offset the debt, and covers only about 72 per cent. of it.

Comparative Value

As a test of the relative attractiveness of Colorado Fuel & Iron, and Midvale common stocks, we may take the average amount earned in the last two years on the latter, and two and one-half years on the former, which gives the following result:

	Midvale	Colorado Fuel
Price (March, 1918)	45 ($50 par)	39
Average Earnings	32.9%	9.8%
Earned on Price	36.6%	25.1%

Midvale is much the more attractive buy, by this test. Another consideration is this: Midvale's debt is only about 37 per cent. of its total capitalization, and any sort of earnings will leave a margin for the stock. Colorado Fuel, on the other hand, has a debt equal to about 52 per cent. of the capitalization, which is also heavy in relation to earning power. After payment of fixed charges, there is the small preferred stock issue to provide for, leaving the common stock in a position somewhat analogous to the cat whose meals consist of licking the platter, when there happens to be anything to lick.

In the case of Midvale, we have rather slight data to go by in attempting to estimate its prospects under normal, or subnormal business conditions. We know, however, that it is most successful now, and that prosperity is a well demonstrated possibility for the company. Colorado Fuel's record through peace times is available and is not at all striking. Possibly its lean days are permanently past, but is it reasonable to believe that the company can continue to earn over 14 per cent., any more than Midvale can continue to earn 34.2 per cent.? Midvale has every indication of being the more desirable issue. But in view of increasing costs, price limitation, heavy taxation, and the probability of extensive readjustments when peace comes, the outlook for all the steel companies is at present involved in considerable doubt.

THE REMARKABLE YEAR 1917.

In a recent review of the past year, President William A. Law of the First National Bank of Philadelphia, said:

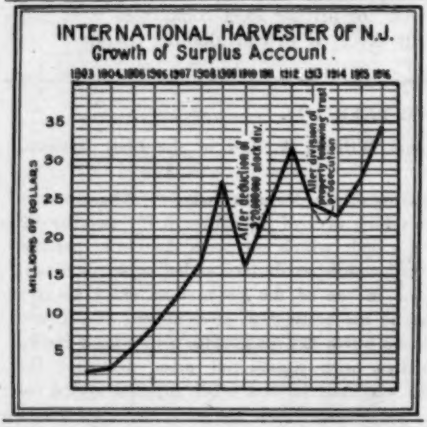
"There never was such a year as 1917. Its distinguishing features include: The entrance on April 6 of this country into the great war; the taking over of the railroads for government operation; the beginning of ship construction on a scale which surpasses the entire production by all other nations in a single year; above five billion dollars added to the national debt, with bonds so distributed that virtually one in ten of the population today owns a Government bond or note; total war expenditures by the belligerent governments of fifty-two billion dollars; American farming produce said to be worth $21,000,000,000, a new high record in history; unprecedented liquidation of securities, with sensational price declines; the greatest industrial output ever achieved, including war material and other supplies called for by the world conflict; the enactment of a conscription law, which has been the chief factor in increasing the strength of our military and naval service to 1,800,000 men; an unprecedented increase in taxation; the largest banking resources on record; nine billion dollars of foreign trade which, for the second successive year, yielded an excess of exports over imports of more than three billion dollars; accumulation by this country of the largest gold reserve in the history of nations; a noteworthy expansion of the Federal Reserve System; new high record bank clearings and new high record money circulation; the heaviest gold movement ever reported; an unprecedented consumption of lumber, notwithstanding a decrease in building operations; and the highest commodity prices ever known. These developments, with the two extraordinary Liberty Loan drives, the large issues of Treasury certificates of indebtedness and the extraordinary war measures enacted, have created conditions which made the year unparalleled in the history of world finance."

International Harvester of New Jersey

War Has Increased Business of Agricultural Machinery Company—Pending Dissolution Suit Deferred Until Next October

By ANDREW FISHER

ALTHOUGH engaged in the pacific business of supplying farmers with labor saving machinery, the International Harvester Co. of New Jersey has indirectly profited materially by the world war. Since the inception of that struggle, the United States has been the principal granary of the Entente Allies and its crops have fed the fighting men of Europe, giving agriculture a marked stimulus, so much so, indeed, that last year this country produced grain crops alone totalling nearly 6,000,000,000 bushels. The big harvesting machinery company, which is understood to control between 80 and 85 per cent of the agricultural implement business of the United States, has kept the wheels of the farm industry moving at top speed by supplying the great demand for machinery of every conceivable kind.



Incorporated originally under the title "International Harvester Company," under the laws of New Jersey on August 13, 1902, the company acquired nearly a dozen agricultural machinery manufacturing plants and also purchased iron ore mines, coke works, blast furnaces and steel mills. It further acquired timber lands and saw-mills, with the result that it became a self-sufficient industrial company to a degree hardly equalled by any other. Inevitably it came under scrutiny of the Department of Justice as an alleged violator of the anti-trust laws and a dissolution suit was brought against it in April, 1912, which is still pending. On January 3, of the present year, the United States Supreme Court, on motion of the government, continued this and other anti-trust cases until next October, and it is expected that a further suspension will be asked then and that no final disposition of the case will be made until after the war ends.

In the meanwhile the International Harvester Company voluntarily split up its business. The International Harvester Corporation was chartered in January, 1913, and took over all of the foreign trade of the parent company and also what were termed "new lines" of manufacture. In return for approximately one-half of its assets the company received and distributed among its own shareholders all of the 300,000 shares of cumulative 7 per cent preferred stock and 399,964 of the 400,000 shares of common stock of the new corporation. The parent company changed its own title to "International Harvester Co. of New Jersey" and reduced its capital stock by one-half, leaving $30,000,000 cumulative 7 per cent preferred and $40,000,000 common stock outstanding at present. Shares have a par value of $100.

A Consistent Success

From the day of its inception the International Harvester Co. has been a financial success. It paid a dividend of 3 per cent on all of its $120,000,000 stock in 1903 and 4 per cent each of the following years up to 1907. Then when in that year the stock was divided into two classes, $60,000,000 preferred and $60,000,000 common, it inaugurated immediately the full 7 per cent on the preferred stock and has paid that rate ever since. A common stock dividend of 33 1/3 per cent was distributed in February, 1910, thus increasing the outstanding common to $80,000,000. A

cash dividend of 4 per cent was paid on the increased common stock that year and this was increased to 5 per cent which was paid annually until 1917 when, last December, an extra cash dividend of 2 per cent was distributed. In February of this year the common was put on a 7 per cent basis.

Since the aggregation of the foreign and "new lines" business of the company, the International Harvester Co. of New Jersey has not published stastistics of its gross sales. Up to that year the ratio of manufacturing and general expenses to gross sales averaged 78.76.per cent. Income from operations for the four succeeding years for which statistics are available has been: $13,284,671 in 1913; $12,206,227 in 1914; $14,186,023 in 1915 and $15,823,800 in 1916. What the company has added to its profit and loss surplus year by year is shown in the first graph. Its profit and loss surplus at the end of 1916 totalled $34,030,625.

The balance for plant depreciation December 31, 1916, was $11,783,009. The company also reported on that date a special maintenance fund of $1,408,537. All expenditures for repairs, renewals and maintenance are charged to operating expenses and are therefore included in the cost of production.

The International Harvester Co. of New Jersey had no funded debt.

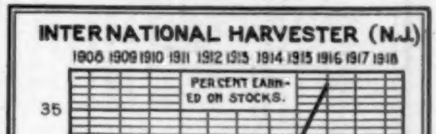
Year 1917 Was Profitable

While no statistics on 1917 earnings are available, there is reason to believe that the last fiscal period was a profitable year. This is evidenced by the special common stock cash dividend of 2 per cent paid last December and by the increase of the regular common stock dividend rate this year to 7 per cent. On the other hand, it remains to be seen what war tax deductions were necessary.

The large profit and loss surplus of the International Harvester Co., which, at the end of 1916, as already seen, was $34,030,624 has given rise to predictions that another melon would be cut in the shape of a common stock dividend, but it is doubtful if the directors feel that such a distribution would be justified in view of the excess profits war tax and existing monetary conditions created by the world war. It would be the part of wisdom to conserve cash resources until the present strain ends, and this is not likely to occur until the issue in Europe is decided.

Recently a wage increase of 10 per cent was granted to the company's employees. It is estimated that 25,000 workers are affected and that the total increase in wage expenditures will amount this year to $3,000,000, which would much more than offset the saving of interest charges effected by the redemption of its gold notes.

In view of the long-continued accumulation of surplus and the splendid dividend record of the preferred stock, that issue may be regarded as in the investment class. Selling a little above par it commands a full market price as a 7 per cent security. With money rates slowly working higher, there is no immediate prospect of any further rise in this stock. The common stock has sold as high as 130 this year and at present commands around 120, which for a 7 per cent common stock must be regarded as high under existing market conditions.



Industrial Earnings, Dividends and Income Yields

In view of the wide discrepancy between present industrial earnings and last year's—chiefly because of the unsettled conditions resulting from the war—our usual "Bargain Indicator" has been modified as below. The *dividend rate* given covers regular declared dividends on the yearly basis. Extra or stock dividends are noted from time to time in the comment column on the right, which also summarizes important price-affecting factors. The *yield on price* is based on regular dividends and the last reported sale or bid price before going to press. A minus sign before the earnings' columns indicates a deficit for the year in dollars per share.

INTENDING PURCHASERS should make careful Comparisons, including former years. They should also read the "Investment Digest" for additional information. If a yearly subscriber, our Inquiry Department may be consulted.

Companies Which Have Reported for 1917.

	Dollars Earned Per Share.						Present		Yield	
	1912	1913	1914	1915	1916	1917	Div. Rate	Recent Price	on Price	
Allis Chalmers pfd	.....	4.77	—0.15	6.80	19.97	24.30	7	81	8.64	Plant at capacity. Record business.
Amer. Agri. Chem. com	7.34	5.23	7.68	10.97	20.57	21.11	6	84	7.14	Outlook encouraging, a semi-peace stock.
Amer. Beet Sugar com	13.50	3.87	2.29	8.68	19.17	38.84	8	80	10.00	Government price insures profit. No extra div.
Amer. Can com	8.86	5.21	3.61	5.20	12.31	13.25	0	42¼	0.00	Government business. Very prosperous.
Amer. Car & Foundry com	2.46	4.10	5.53	0.77	2.39	27.36	4	76	5.26	Large Gov't contracts for box and tank cars. Extra div.
Amer. Cotton Oil com	6.49	3.38	1.98	7.05	6.99	4.56	4	32	12.50	High prices for cotton seed detrimental.
Amer. Hide & L. pfd	3.37	3.79	0.85	7.65	13.10	14.17	5	59	8.47	Earnings favorable. Funded debt decreasing.
Amer. Linseed pfd	—2.85	2.96	1.83	6.01	8.83	10.53	7	73	9.58	Earnings large. Partly war prosperous.
Amer. Loco. com	0.47	17.74	1.30	13.00	36.07	21.81	5	65	7.69	Benefits by war or peace.
Amer. Smelt. & Ref. com	11.47	7.47	6.51	17.15	31.79	12.47	*6	79	7.59	Large cash reserves. Mexican situation hopeful.
Amer. Steel Foundries	4.53	6.01	—1.35	—1.20	19.89	32.13	7	64	10.93	Dividend increase warranted by earnings.
Amer. Sugar Ref. com	5.34	—0.25	4.82	4.99	11.48	11.25	7	103½	6.76	Government price restrictions.
Amer. Tobacco com	30.42	28.12	21.04	20.06	22.70	25.21	20	154	12.98	Margin over dividend now large.
Amer. Woolen com	2.09	—9.89	—0.06	6.40	15.31	20.22	5	51	9.80	War orders record breaking.
Baldwin Loco. com	11.49	13.09	—5.25	7.14	6.09	34.53	0	77¼	0.00	Large earnings. Dividend expectations.
Burns Bros. com	.....	3.63	4.84	9.08	10.03	17.99	6	124	4.83	Earnings helped by high prices.
Cal. Petroleum, pfd	4.25	11.74	11.54	7.80	8.44	10.35	4	45	8.88	Earnings and outlook show improvement.
Central Leather com	8.58	5.18	6.41	10.82	33.14	30.41	5	67¼	7.43	Gov't business. Heavy excess tax.
Col. Fuel & Iron com	4.79	4.58	—3.11	—1.44	5.96	17.26	3	38½	7.79	Record working capital and surplus.
Corn Prod. Ref., pfd	6.88	7.66	7.73	10.62	17.76	38.09	7	97½	7.17	Earnings estimated at rate of $25.
Crucible Steel com	6.82	12.84	—2.94	5.39	45.89	42.13	0	64	0.00	Profits tax harmful. Record earnings.
Goodrich (B. F.) com	3.34	0.83	5.62	17.17	12.76	14.29	4	44	9.09	Operating costs heavy. Record business.
Inter Agri. Corp., pfd	11.12	—1.24	0.65	—0.47	9.80	9.31	0	13	0.00	Earnings excellent.
Inter. Nickel com	6.57	2.95	2.80	3.33	6.70	7.78	4	28½	14.03	Taxes consuming profits.
Maxwell Motor com	.....	.....	0.30	5.53	29.10	29.62	0	28	0.00	Making pleasure cars, trucks and tractors.
Nat. Biscuit com	10.05	9.59	11.74	9.52	8.19	9.72	7	97	7.21	Peace should prove advantageous.
Nevada Cons. Cop	2.18	1.45	0.74	2.78	7.32	4.83	4	18½	21.62	Dividends endangered by tax. Earnings decreased.
New York Air Brake	5.72	6.55	6.41	13.43	82.15	18.94	20	123½	16.19	Earnings large. Extra dividends.
Pressed Steel Car com	0.76	10.56	0.14	3.60	15.00	10.04	7	62	11.29	High costs diminishing profits.
Pullman Co.	8.69	9.28	9.04	8.80	10.32	11.36	8	114	7.14	Increased expenses reduce margin over dividend.
Sears, Roebuck com	19.34	21.17	21.30	17.57	26.55	23.38	8	147	5.44	Record gross, but profit reduced.

Sloss-Sheffield com.	0.84	2.09	0.21	0.53	14.44	15.77	6	54	11.11	New management forcing retrenchment.
United Fruit	15.28	14.52	6.19	16.11	24.34	26.77	8	124	6.45	Government regulating freight rates.
U. S. Rubber com............	6.00	13.21	9.18	10.80	15.12	28.77	0	55¼	0.00	High costs and competition.
U. S. Steel com..............	5.71	11.02	.....	9.96	48.46	43.20	5	91⅛	5.48	Taxation and cash burdens.
Utah Copper	5.35	5.38	5.34	11.03	24.46	23.31	10	78¼	12.77	Tax will ultimately endanger dividends.
Va.-Carolina Chem. com.......	3.28	0.53	3.40	7.55	10.39	10.92	3	39	7.69	A semi-peace stock.
Westinghouse Elec. com......	3.20	4.15	5.35	2.43	8.53	12.08	3½	41	8.53	Record war orders but earnings decrease.
Woolworth (F. W.) com......	8.73	10.82	10.86	13.19	15.57	16.72	8	111½	7.18	Business large; splendid earnings. Peace stock.
Companies Which Have Not Reported for 1917.										
Amer. Zinc com.............	8.59	—4.65	1.82	109.65	187.48	.....	0	14	0.00	Earnings affected by decline in spelter.
Anaconda Copper	7.32	5.22	3.77	7.16	26.80	.....	8	63	12.69	Expected to continue dividend despite taxes.
Barrett Co. com..............	11.11	15.61	10.31	21.19	32.84	.....	7	88½	7.94	Strongly intrenched against foreign competition.
Bethlehem Steel com..........	6.90	27.50	32.60	112.50	286.30	.....	10	79	12.65	Earnings good, but influenced by taxation.
Butte & Superior.............	.....	3.47	5.21	33.47	31.79	.....	0	21	0.00	Earnings slightly improved. Litigation uncertainty discouraging.
Chino Copper	2.80	3.51	3.44	7.67	14.40	.....	6	40¼	14.90	Dividend reduced.
Continental Can com.........	.....	4.88	10.69	12.05	22.38	.....	5	72	6.94	Government business.
Cuba Cane Sugar com........	.....	.....	.....	.....	17.36	.....	0	30⅛	0.00	Earnings disappointing.
Distillers' Securities	1.62	1.17	2.28	4.64	10.30	.....	2	39½	5.06	Position strong. Buying its bonds.
General Chem. com...........	21.72	19.19	18.73	44.27	86.76	.....	8	175	4.56	War earnings.
General Electric	16.19	12.88	11.12	11.57	18.31	.....	8	138	5.79	Burdensome inventories.
Great Northern Ore..........	1.75	0.71	0.54	0.70	1.39	.....	0	27¾	0.00	No regular dividend rate.
Greene Cananea Cop..........	4.31	2.33	1.97	1.04	7.03	.....	8	40⅛	19.93	Tax burdened. Mexican situation better.
Gulf States Steel com.........	.....	.....	.....	10.17	30.25	.....	10	90	11.11	Will suffer from tax and price fixing.
Inter. Har. N. J. com.........	16.18	15.54	14.41	17.94	27.25	.....	5	119	4.20	A peace stock.
Inter. Mer. Mar. pfd.........	0.25	4.44	—0.58	26.26	42.10	.....	6	95½	6.28	Early funding back dividend a vague prospect.
Inter. Paper pfd.............	5.35	4.44	5.08	5.44	22.85	.....	6	90	6.66	Earnings disappointing.
Mex. Petroleum com..........	5.88	11.62	4.68	5.12	15.83	.....	8	93	8.60	Further development awaits quiet in Mexico.
Miami Copper	2.81	1.75	1.65	4.56	10.39	.....	6	30½	19.67	War taxes and Minerals Separation suit unsettling.
National E. & S. com........	—1.54	1.05	—0.32	2.02	11.67	.....	6	48¼	12.43	Dividend increase was justified.
National Lead com...........	3.81	3.64	3.73	4.86	6.16	.....	5	58	8.62	Lead prices should benefit.
Pittsburgh Coal pfd..........	7.48	10.07	5.06	6.11	11.64	.....	6	82	7.31	Coal price regulation.
Railway Steel Sprg. com......	5.77	1.31	—0.42	3.09	20.49	.....	5	54	9.25	Repair business heavy. Earnings large.
Ray Cons. Copper............	1.33	1.85	1.65	3.08	7.65	.....	4	23¼	17.21	Record year closed. Taxes harmful.
Studebaker Corp. com.........	4.95	3.12	12.79	27.46	26.14	.....	4	46	8.69	Large floating debt. Competition hurtful.
Tobacco Products com.........	.....	0.30	1.03	2.31	5.44	.....	6	51	11.76	Maintains heavy business.
United Cigar Stores com......	5.75	6.83	7.09	7.69	9.48	.....	8	87	9.19	Record breaking business.
U. S. Cast Iron Pipe pfd.....	5.70	4.52	—4.78	0.60	10.91	.....	5	43	11.62	High prices curtail demand.
U. S. Ind. Alcohol com.......	5.[illegible]	1.94	1.94	12.60	36.14	.....	16	124	12.90	Earnings large. Strongly entrenched.
U. S. Smelt. & Ref. com.....	14.42	10.08	3.21	27.85	40.99	.....	5	45	11.11	Benefits from high prices. Record output.
Willys-Overland com.	.....	18.52	24.41	45.47	22.99	.....	1	18	5.55	Peace or war benefits. Dominant position in car and aero industry.

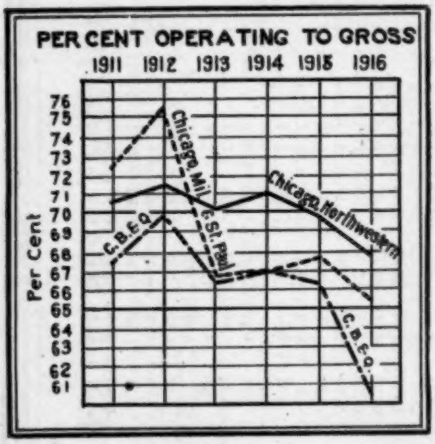
*Six months ended June 30.

Chicago & Northwestern—The "Pennsylvania of the West"

Has It Reached Its Limits of Development?—Comparison with Some Competitors—Train Loads—Are Its Securities Cheap or Dear?

By IRVIN GILLIS

WHAT about Northwestern? It's easy enough to point to a remarkable dividend record, to not less than 4 per cent. on the common for forty years, with an average of 6.25 per cent., and better still for the preferred, its return not dropping below 7 per cent. since 1878. It's easy to remember the valuable rights which have been given to both classes of stocks with just enough irregularity to give zest to the appetite. But even conservative New Englanders don't dote so much on history nowadays as a guide to present value as once they did. We all want to know what the trend is as proved by reasonably recent periods and by the reasonable promise of the future.



Northwestern is well called the "Pennsylvania of the West." It is double tracked from Chicago to Boone, Iowa, which by the way is some two hundred miles the other side of Des Moines, and double tracked from Chicago to Minneapolis with the exception of a few miles in Southern Wisconsin. Aside from the above mentioned uncompleted work, the Northwestern has little to feel ashamed of. It has rock ballast and sturdy rails on its main track that would do credit to a coal carrier. Its equipment is of good grade, heavy, and is well maintained. The main divisions are operated by the automatic signal block system. The road gives good service and is spoken of with respect in the district in which it operates. The Chicago Great Western lies partly in competing territory, and if you could have heard what passengers and shippers said about that road before it was rehabilitated for the last time, you would understand what I mean.

The Northwestern, at Leander, Wyoming, is about 1,200 miles from the coast. Its main western lines end at Omaha, where they connect with the Union Pacific. It's only a guess as to whether or when the Northwestern will take upon itself the growing pains of an extension through to the Pacific. My surmise, however, is that it won't run out there in the peak of boom times, as did the St. Paul, running up against outrageous prices for labor, materials and money.

The most careful analysis of Northwestern's operation and finance will show consistent, canny management, and I don't think much more trackage will be laid toward the sunset without a pretty careful reckoning of the consequences. In a period of general depression, with her bonds again on a 3½ or 4 per cent basis, and steel and labor begging for a market, Northwestern might ambitiously seek to "rectify her frontiers." Meanwhile we have Government control and management, and the experiences of the Western Pacific as well as of the St. Paul have not been lost sight of by the Vanderbilt interests still in active control of Northwestern's destiny.

A Finished Road

If you know the territory and the way the rails run,, you will realize that the Northwestern is a finished road. It crosses and recrosses its territory and one would almost think that this road alone well served the territory. Yet it has as competition in various parts, the Wisconsin Central, the St. Paul, C. B. & Q., Rock Island, Illinois Central, and the Chicago Great Western. Relatively speaking, it is old territory. We can't expect therefore any startling increases in traffic.

But is there dry rot in the management? Is the road simply resting on its honored past? Not from any evidences I can see from its property and from the statistics of its management. Northwestern hasn't become an investment company like Union Pacific, nor on the other hand become ultra-conservative. The new terminals at Chicago, for example, compare not too unfavorably with more advertised New York facilities.

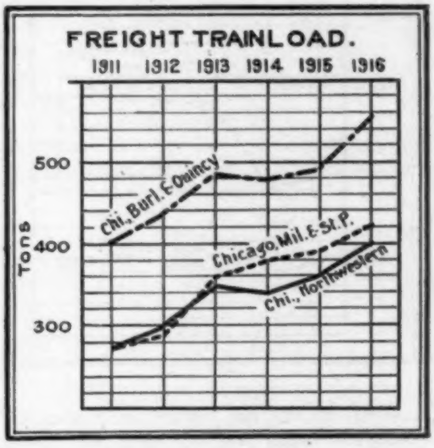
How does Northwestern compare with its competitors? Now that St. Paul is a transcontinental, a direct comparison cannot be made without some degree of caution, but it is worth making. C. B. & Q. makes a very fair comparison, all things considered. It is interesting that the Northwestern and Burlington's rails parallel each other for over a hundred miles in Wyoming and the authorities want one set torn up. The Burlington certainly covers its territory closely. Its map of Illinois, Iowa, Missouri and Eastern Nebraska looks almost like some new knitting design. St. Paul isn't lacking in junction points either, so, holding in mind St. Paul's long strike to the coast, the comparisons below ought to be fair.

Operating results show that St. Paul did not have the business well under control in 1912, that Northwestern showed a fair average, with the C. B. & Q. making a truly remarkable performance in 1916. Though the 1916 results were not inconsistent with what we know of Hill management, it would be vastly more difficult for any road to repeat the showing of this graph, as 1916 didn't bring the demoralizing costs and operating delays that prevail today.

Train Loads

When we look at the graph showing the "Train Load" figures, the Burlington seems to move in "spheres above," as said his attorney of the late E. H. Harriman's mind. Of course you know that heavy train loads reduce the number of trains necessary and so work for net profits. The Burlington sits close up at the Hill family table in showing an enormous train load. This is the more amazing, considering how many short lines there really are in the C. B. & Q. system.

Of course it is not always pleasant for the shipper that the operating force has to keep thinking about full train load lots. I remember once having a shipment on a Hill road delayed for some weeks. This was back in 1911. I went to the freight agent



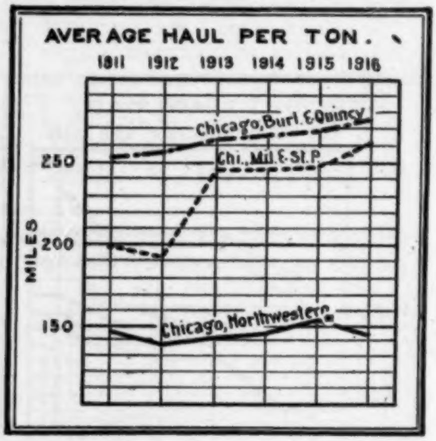
about the delay. The gist of the information received was that the road was "run for the stockholders and not for the shippers." I didn't hold any stock at the time, so I wasn't comforted by those loyal words. I suppose by now at least the poor shipper is considered on the Hill roads, but the figures show that the stockholders aren't forgotten either.

The St. Paul and the Northwestern have made modest but consistent increases in train load figures, but it would appear that Northwestern could well load heavier.

It is the average haul figures that show up unsuspected differences. The long haul is the profit earner. St. Paul, a trans-con-

tinental only about a decade, naturally lengthens its average haul as the proportion of its Pacific trade to its total tonnage increases. The Burlington figures don't vary much. They have been high and there they stay. It has some long rangy lines, from Savanna, Illinois, to St. Paul, two separate lines to Billings, Montana, from western Nebraska, but in view of the numerous short branches, the figures shown by the graph are simply to be admired.

However, the Burlington receives less per ton mile, .71c. in 1916, as compared with .76c. for St. Paul and .81c. for the Northwestern, so the net results in profits are somewhat closer together than the Train Load and Average Haul figures would indicate.



Besides, the Northwestern controls the "Omaha," which is considered as part of the Northwestern system, but reports separately. It runs from St. Paul to Omaha, it brings long haul ore from the Duluth country, and furnishes the main Northwestern line from Elroy, Wisconsin, to St. Paul, nearly 200 miles. Inclusion of haulage on the Omaha tracks would boost Northwestern's Average Haul.

Granting that Northwestern has apparently a limited outlook, it still has a great past, and at least as promising a future. The company is in splendid financial position, carries its bonds on a present interest requirement of less than 4½ per cent of the principal, and has earned the charges about two and a half times annually during the past ten years. Then, too, the company, operating in a settled and developed territory, does not have to contend with the erratic newly producing country, as does the St. Paul in its extension.

The years June, 1911, to 1916, showed average earnings for $22,395,120 Northwestern preferred of 59.3 per cent, and for the $145,151,800 common an average of 8.51 per cent. In the calendar year 1916 the preferred earned 90.06 per cent. and the common 14.12 per cent. In the 1917 calendar year the figures were 75.70 per cent and 10.45 per cent.

The preferred, at say 125—the quotation is 120 to 130—yields 6.4 per cent, and is more in line than it was a while ago some twenty points higher. It is preferred up to 10 per cent before the common can receive more than 7, but an increase in the preferred dividend seems quite improbable and present prices do not seem low in comparison with other high grade securities.

Position of Stock

Northwestern common, paying 7 per cent, yields around 7.7 per cent at 91-92. Earnings allowed under Government operation will be about 9½ per cent before deduction of war taxes. This leaves a rather narrow surplus above the 7 per cent dividends. It seems to me that the stock is selling high in view of the modest average surplus after dividends in past years, and under conditions when Union Pacific is selling to yield 8.3 per cent, Great Northern 7.8 per cent, and Northern Pacific 8.2 per cent. Great Northern and Northern Pacific can tap at any time the great dividend possibilities of the Burlington, if their own 7 per cent dividends should ever be threatened while the properties are under private control.

Do not be altogether suspicious of an exchange proposition of one kind of securities for another when made by your bankers, who, it is assumed, are thoroughly trustworthy. Such an exchange may be of profit to the bankers, but it may also be profitable for both parties. The bankers may have a way of handling the transaction that will work out well for all concerned, and with no loss of position to the investor. So much depends upon the integrity of the banker that it would be short sighted advice to say that an exchange proposition should be refused peremptorily.

United Cigar Stores Realizes a Dream

George J. Whelan's Vision of a Woolworthian Chain Has Come True—Profits Steadily Pile Up—Some Heretofore Unpublished Facts

By PRESTON S. KRECKER

TO George J. Whelan the business world is indebted for the idea of a chain of cigar stores. He might be called the Woolworth of the tobacco trade, for he was the first to apply the principle of the 5 and 10-cent store to the tobacco trade on a Woolworthian scale.

That his vision was correct is demonstrated by the wonderful achievements of the United Cigar Stores Company of America, of which he is the president. This company has really distanced its mercantile prototype. In the Woolworth chain there are upwards of 1,100 stores. In the United Cigar Stores chain there are 1,000 stores operated by the company and in addition there are 400 agencies which handle the United Cigar Stores brands of tobacco. New stores and new agencies are continually being added to the chain, which is endless in its almost limitless possibilities.

The United Cigar Stores Company of America is a holding company which owns or controls through the United Cigar Stores of New Jersey, the operating company, retail establishments all through the country. It was chartered in New Jersey in July, 1912, to acquire the Corporation of United Cigar Stores, which was dissolved December 31, 1912. Its authorized capital consists of $5,000,000 cumulative 7 per cent. preferred stock, of which $4,527,000 are outstanding, and $30,000,000, common stock, of which $27,162,000 are outstanding. It has no funded debt. Par value of shares is $100.

Satisfactory Growth

The United Cigar Stores Company of America acquired a profitable business from its predecessor and has consistently made it more prosperous, as is shown by the steady growth of sales of its expanding chain of stores. In 1912, when the new organization assumed control, the company was operating 750 stores, which in that year did a gross business of $26,700,000. Since then gross annual sales have been as follows: $29,600,000 in 1913, $29,900,000 in 1914, $31,000,000 in 1915, $35,800,000 in 1916, and $42,900,000 in 1917.

In the same period the company has increased the number of its retail stores from 750 to 1,000 and also has opened the 400 agencies already mentioned, which handle its wares and, of course, swell the gross volume of its business. Analysis of the foregoing figures shows that gross sales have expanded 60 per cent. in the last six years and that they made the gratifying gain of 20 per cent. last year over the preceding year.

In the table which follows is given a comparative statement of income account which shows what this expansion of business has meant to shareholders:

	Net Income	Pfd. Divs.	Com. Divs.	Surplus
1912	$1,879,361	$79,151	......	$1,087,552*
1913	2,171,516	316,890	$1,493,910	360,716
1914	2,241,783	316,890	1,629,720	295,173
1915	2,404,471	316,890	1,765,530	322,050
1916	2,892,073	316,890	1,901,340	673,843
1917	3,423,500	316,890	2,105,055	451,555†

*After deduction of $712,659 charged to profit and loss in connection with reorganization.

†After allowance of $550,000 for estimated federal excess profits war taxes.

Total profit and loss surplus has grown year by year as follows: $1,087,552 at the end of 1912; $1,448,268 in 1913; $1,743,441 in 1914; $2,065,491 in 1915; $2,739,335 in 1916, and $3,683,216 in 1917.

There is here shown a steady increment of profits. Indicated earnings on the two classes of stock have been as follows:

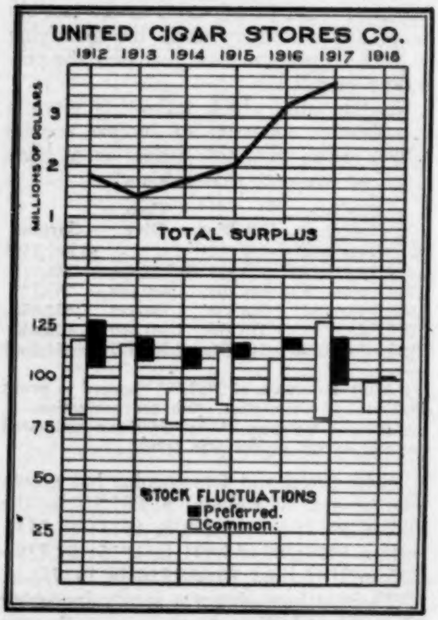
	1912 %	1913 %	1914 %	1915 %	1916 %	1917 %
Pfd.	41.51	47.97	49.52	53.11	63.89	75.61
Com.	5.75	6.83	7.09	7.69	9.48	11.45

The company is conservatively operated, maintaining ample working capital at all times. At the end of 1916 its net working capital amounted to $7,126,467, while on December 31, 1917, it had a working capital of $8,941,062.

Change in Accounting

The United Cigar Stores Company last year inaugurated a new policy of including earnings of all of its companies in its income statement. Prior to that year it had reported only earnings of its operating companies. In 1916 the earnings of its other companies totaled $167,860 and brought its actual net profits up to $3,059,933, compared with net profits shown in its original income statement of $2,892,073 for that year. In the annual report recently published the earnings of companies other than operating concerns are included in the net income.

As will be observed, the United Cigar Stores Company achieved its greatest re-



sults last year, when it earned net profits of $3,423,500 and had a surplus after dividend deductions of $1,001,555, which was reduced to a final surplus of $451,555 after an allowance of $550,000 for estimated federal excess profits taxes. No such deduction figured in the income statement of the previous year.

Moreover, dividend payments on the common stock were the largest last year in the history of the company, totaling $2,105,055, compared with $1,901,340 the previous year. This was due to the inauguration of the 8 per cent. dividend rate beginning with second quarter of 1917, which brought the total for the year up to 7¾ per cent., compared with 7 per cent. the previous year.

As it was, in spite of the larger dividends and the big reservation for war taxes, the company succeeded in adding $451,555 to its surplus acocunt, bringing the total as of December 31, 1917, up to $3,683,216.

The company's ability to clear largest profits in a period of rapidly rising costs may be attributed to its forehanded policy of preparing for such a contingency. A director says that, having anticipated the scarcity of merchandise and the upward trend of prices, the company purchased ample stocks of merchandise on advantageous terms which resulted in good average profits. Also, the company has advanced the retail prices of its goods to meet these higher costs.

It was planned about a year ago to enter the retail candy field, but that project has been abandoned, for the present at least, owing to the unusually large war needs for sugar.

Market Position

The market position of the shares of United Cigar Stores has every appearance of being sound. The preferred stock is an investment issue of proved worth. Reports current last year that the company would retire some of the preferred stock, which is redeemable at any time at 140, were not realized, and for obvious reasons, it is unlikely that this will be done at present.

The common stock has grown steadily in investment value, while it carries speculative possibilities of a high order. Net earnings last year were equivalent to $11.45 a share, or $3.45 a share above dividend requirements, and increasing earning power has been demonstrated. There has been talk of a further increase in the common dividend this year, but a director of the company is authority for the statement that no such increase is likely, owing to the heavy war excess profits taxes, which make it necessary to conserve surplus earnings.

Is American Tobacco's Common Dividend Safe?

Report for 1917 Shows Decrease in Working Capital and Declining Margins of Profits—Cash Holdings Not Impressive—Rumor of Further Issue of Stock

By JAMES SPEED

THE surprising feature in connection with the recently published balance sheet of the American Tobacco is, notwithstanding that the company is now paying its common dividend in scrip and that last year the company borrowed $25,000,000 on three months' 6 per cent. notes, which are renewable three times so that if renewed that number of times they will fall due January 1, 1919, that the balance sheet showed an increase in cash of slightly less than $1,500,000.

For the year ended December 31 last the report showed a surplus to the profit and loss account of approximately $2,100,000, which, added to the $25,000,000 raised on the notes, makes a total of $27,100,000, added to the company's assets last year. But the balance sheet shows only a $26,347,000 increase in assets, which leads to the conclusion that the missing $753,000 represents the commissions and expenses in connection with the $25,000,000 note issue. That is equal to 3 per cent. on the entire amount of the notes, which perhaps is not excessive.

A comparison of sales and operating ratios of the last two years is instructive. In 1917 total sales were nearly $90,000,000, or an increase of approximately $20,000,000 over the year previous, equivalent to a gain of 28½ per cent. Net profits, however, increased only $1,086,000, or slightly less than 12½ per cent. In short, net profits showed less than half the ratio of gain showed by gross sales, the reasons, of course, being high costs and taxes.

Where the Money Went

The table herewith showing the changes in the company's balance sheet during the last year indicates where the money went. It shows that the largest part was absorbed by inventories, the total increase being $14,550,712. Receivables increased more than $4,000,000 and loans to other companies $3,197,000. Investment account showed an increase of $2,426,000 and cash a gain of $1,485,000.

Decrease in Working Capital

American Tobacco has always maintained a large working capital, but that item as of December 31 last, showed a decrease of about $2,500,000 and was the smallest for the last six years. Following is a tabulation of the working capital as shown by the annual reports:

1912	$54,426,765
1913	52,815,071
1914	53,773,408
1915	51,209,242
1916	50,633,418
1917	47,470,559

The chief item which reduced the working capital last year was "provisions for advertising, taxes, etc.," totaling $2,544,041.

American Tobacco is a "good-will" concern, carrying that more or less indeterminate item at the considerable figure of $54,099,430. Deducting this item from the assets side of the balance sheet and taking the other entries at their stated valuation, one arrives at book assets for the common stock, outside of good-will, trade-marks, etc., of between $69 and $70 per share.

American Tobacco is now paying its common dividend in scrip bearing 6 per cent. interest and convertible into stock at par. It is obvious that with the stock selling at around 150 the receivers of the scrip dividend will convert so that the issue of scrip is in effect the issue of new stock by the company at the rate of approximately $8,000,000 per annum. Assume that the war will last two years and that the company continues to issue scrip for its dividends during that time. At the end of two

years the amount of stock will have increased $16,000,000 and dividend requirements $3,200,000, making the annual dividend requirements on the basis of the present 20 per cent rate, $11,800,000. Have the company's earnings justified such dividends? In this connection the following table is instructive:

Year	Earned on Com.	P. C. Earned on Com.
1911	$25,912,000	64.3
1912	12,243,000	30.4
1913	11,318,000	28.1
1914	8,467,000	21.0
1915	8,072,000	20.0
1916	9,136,000	22.7
1917	10,148,703	25.2

sufficient to take care of the company's steadily increasing dividend requirements? We have already shown that the ratio of profits to sales has turned sharply downward. The full effects of highest costs and taxes will come into play this year not to mention the likelihood of further war taxation. Furthermore, the company's large inventories, totaling $55,000,000 in round figures, on December 31 last, represents materials and supplies acquired to a large extent in an era of high prices. The day will come when these inventories will have to be written down. Cash of $6,725,000 is not impressive in the case of a company the size of American Tobacco and doing the business that it does, especially in times like the present when nearly all industrials are energetically putting themselves into strong cash positions.

CHANGES IN AMERICAN TOBACCO'S BALANCE SHEET

ASSETS

	1917	1916	Increase	Decrease
Plant, etc.	$6,808,349	$6,521,156	$287,193	......
Inventories	55,042,468	40,491,756	14,550,712	......
Stocks and bonds	25,032,927	22,606,486	2,426,440	......
Scrip	....	456,470	....	$456,470
Cash	6,724,708	5,239,026	1,485,682	......
Bills and accounts receivable	10,541,710	6,468,019	4,073,691	......
Prepayments	782,090	....	782,090	......
Due from other companies	5,243,632	2,046,005	3,197,527	......
Goodwill, etc.	54,099,430	54,099,430	....	......
Total	$164,275,314	$137,928,349		

LIABILITIES

	1917	1916	Increase	Decrease
Preferred stock	$52,699,700	$52,699,700	....	......
Common Stock	40,242,400	40,242,400	....	......
Bonds	2,069,500	2,126,100	....	$56,600
Preferred dividend payment	790,495	790,496	....	......
Accrued interest	33,318	34,167	....	849
Accounts and bills payable	26,620,486	2,786,725	$23,833,761	......
Due other companies	93,616	38,956	54,660	......
Scrip	....	....	....	......
Reserves for taxes, etc.	2,544,041	2,167,228	376,813	......
Surplus	39,181,756	37,081,533	2,100,223	......
Total	$164,275,314	$137,928,349		

Of late years competition in the tobacco business has become very severe and the company has been unable to make its former impressive showings. Earnings for the last three years have averaged 22 per cent., which is hardly an ample margin over the present dividend requirements. Dividends of $11,800,000, as suggested above, would call for approximately 29 per cent. earned on the common stock per annum.

The Dividend Outlook

The question then resolves itself to this; will the increase of sales and net profits be

It is unofficially rumored that American Tobacco is contemplating the issue of new stock, which, if true, will hardly tend to strengthen the position of the present common dividend rate. All in all, then, it appears that the American Tobacco Company is traveling a road which, if present conditions continue, will very likely lead to a substantial reduction in the present 20 per cent. dividend rate on the common stock.

Railroad and Industrial Digest

These notes are a record of recent price-affecting FACTORS, and are not to be regarded as RECOMMENDATIONS to purchase or sell.

Note.—The Railroad and Industrial Digest, Notes on Public Utilities, Oil Notes and Mining Digest, contain condensations of the latest news regarding the companies mentioned. The items are not to be considered official unless so stated. Neither THE MAGAZINE OF WALL STREET nor the authorities for the various items guarantee them, but they are selected with the utmost care, and only from sources which we have every reason to believe are accurate and trustworthy. Investment commitments should not be made without further corroboration.—*Editor*.

RAILROADS

BOSTON & MAINE—Operating Ratio in January—This line shows an operating ratio of 111 per cent for that month. For this loss of money in handling the business offered, the Weather Man was responsible.

The Boston & Maine's poor record was not exceptional among eastern roads, for the Pennsylvania suffered an operating loss, with a ratio of expenses to gross of 110 per cent. New York Central's ratio was 100.5 per cent, Boston & Albany's 102.5 per cent and Maine Central's 124 per cent. Boston & Maine handled an average of 622 cars a day from its western gateways, against an average of 799 in January, 1917, and on some days the movement dropped to about 400 cars.

As compared with January, 1917, Boston & Maine showed a loss in gross of $407,630 or 9 per cent. There was an actual deficit from operation of $483,275, against net of $987,780 before taxes in January, 1917.

After deduction of taxes, rentals and charges for hire of equipment, interest and sinking fund, there resulted a deficit of $1,654,769, against a deficit of only $148,024 last year.

CANADIAN PACIFIC—Surplus in 1917—Operations for year resulted in a surplus of $36,316,875 after expenses and charges. For year ended June 30, 1916, surplus after charges was $38,919,724. Gross earnings of railway and lake coastal steamers amounted to $152,389,334, while working expenses totaled $105,823,316. Net earnings from railway and lake and coastal steamers aggregated $46,546,018. Fixed charges were $10,229,143, leaving surplus of $36,316,875 for the period. Contributions to Pension Fund were $500,000. Net earnings of coastal steamers, commercial telegraph and news department which were transferred to a special income account, were $1,968,683. Net revenue from earnings of the railway and lake steamers available for dividends were $33,848,192. After payment of all dividends declared for the year, surplus from earnings of railway and lake steamers was $12,420,919. Special income for 1917 was $10,713,299 after making allowances for contingent reserves.

CHICAGO, MILWAUKEE & ST. PAUL—Dividend Probabilities—Rumors, apparently not without foundation, are that influential interests strongly favor passing the dividends on both classes of stock with view of conserving earnings to build up the property; directors who represent smaller stockholders are naturally averse to such action.

CHICAGO, ROCK ISLAND & PACIFIC—Dividend Not to Be Investigated—Although there was some talk a few weeks ago that declaration of dividends on Rock Island preferred issues "might be investigated" it can be stated that no such course of action is likely to result. Understanding was that information had been sent to Interstate Commerce Commission in January stating that Rock Island directors met on Dec. 31 (an hour before the President's proclamation taking over the railroads went into effect) and declared a special dividend on Rock Island preferred stock. Mr. Amster now intends to make application to the Railroad Administration for authorization of dividends on Rock Island common stock at some later date. It is figured that under the Government guarantee of earnings, Rock Island will show a surplus of $7,300,000 per annum, which would cover full dividend on both preferred issues and leave about 4.9 per cent on the common. In 1917, Rock Island earned about 7.4 per cent on the common, allowing for six months' dividends on the preferred declared or about 5.3 per cent, allowing for a full year's dividend requirements on the preferred.

COLORADO & SOUTHERN—Dividend Delayed—Directors at a meeting, March 13, after considering the matter of dividends upon the preferred, decided to postpone action until a later session when the operating results for the current calendar year will be further developed. The last distribution was 2 per cent each on the 4 per cent first and second preferred non-cumulative shares on Oct 1, 1917.

DENVER & RIO GRANDE—Must Defend Suit—A judgment for $36,908,529 was entered March 13, against the Denver & Rio Grande RR. in favor of the Equitable Trust Co., as the balance due on judgment for $38,270,343, recovered in the United States Dis-

trict Court on a suit to foreclose on a bond issue guaranteed by the defendant. The plaintiff as trustee has collected $3,033,562 and the judgment entered yesterday is the sum due with interest and costs.

N. Y., N. H. & H.—Notes' Financing— Bankers who floated $45,000,000 New Haven notes last spring have been in conference in Washington with Government authorities relative to taking care of this issue, which matures April 15.

While it is premature to say arrangements have been completed between railroads, bankers and Government for the latter to finance this debt, expectation is that such will be the outcome. This note issue has now been reduced to $43,759,000 through purchases of notes by the company. With only a little more than five weeks remaining before maturity of notes it is believed arrangements will be completed for their financing in very near future.

John Skelton Williams, Director of the Division of Finance and Purchases of the Railroad Administration, however, says:

"Director General McAdoo authorizes me to say that newspaper reports that the Railroad Administration has stated that the New Haven's obligations have been, or would be provided for by the Government, are incorrect. While it is hoped that the road may find some way to protect its obligations, no decision has as yet been reached by the Government as to the extent to which it may extend aid to the system. The subject is now under consideration, and as soon as a decision is reached, official announcement will be made."

The road is offering to holders of its stock and convertible debentures of 1923 and 1948 the right to subscribe to 435,882 shares of new 7 per cent preferred stock at par. Stockholders will be allowed to subscribe for two shares of new preferred to every nine shares they now hold and debenture holders in the same proportion to the par of their holdings.

Stock and debenture holders of record March 20, will be entitled to subscribe and must do so on or before April 5. Payment may be made in full on the latter date, or in instalments of 25 per cent each on April 5, July 1, October 1, and January 2. The new preferred stock will be callable at 110. Dividends of 7 per cent will be covered by the average income to be guaranteed by the Government.

This offer is made in response to the request of the Federal railroad administration that the company should endeavor to raise a portion of the sum required to meet the maturing of $43,000,000 notes on April 15.

NORFOLK & WESTERN—Report for 1917—Road's report for the year gives net income as $18,946,137, a decrease of $2,853,936 from 1916. Total operating revenue was $65,910,242, an increase of $1,192,510 over 1916, total operating expenses $41,161,504, net revenue amounted to $24,748,738. There is a decrease of $1,270,000 in convertible bonds outstanding due to the conversion into common stock of $1,270,000 of bonds, a decrease of $1,300,000 in equipment trust obligations resulted from the payment of matured equipment trust certificates. The additions to cost of road and equipment during the year were $8,572,808. Owing to the high price of fuel coal leasehold interest in mines in Mingo county, W. Va., and Pike county, Ky., known as the Howard and Vulcan operations, have been acquired in order that the road may mine a substantial portion of its supply. These operations include about 3,800 acres, and it is estimated that they will furnish one-sixth of the company's fuel coal requirements. The increase in operating revenues is a result of movement of troops and of war munitions and supplies. There was a larger volume and a longer haul of freight other than coal and in the last half of the year a better rate per ton per mile was received. The number of tons of coal carried was less than in the preceding year and the average haul was shorter, but the average rate per ton per mile received increased from .443c. to .453c., and the decrease in revenue from coal transportation was consequently small. While the number of passengers carried was less than in the preceding year, the increase in the average haul was great and resulted in an increase of 16% in passenger train earnings. In the preceding annual report a further increase in operating expenses was indicated. The actual increase was $7,652,771 or $1,192,510 more than the increase of operating revenues. For the first six months of 1917 operating expenses increased 18% over those of the same period of the previous year. In the last six months the increase was 27%. For the whole year the proportion of operating expenses to operating revenues increased from 56.36% to 62.45%, and the proportion of transportation expenses to operating revenues increased from 24.86% to 31.57%.

PENNSYLVANIA — Stockholders Approve Issue—Stockholders approved an increase of $75,000,000 in the indebtedness of the company proposed by the management providing for capital requirements including maturing obligations. A resolution was also adopted authorizing the directors and officers to execute for the company an agreement with the President of the United States to secure compensation for use of the railroad properties during their control by the Government. An application has been filed with the Public Service Commission by the Philadelphia, Baltimore & Washington and the Pennsylvania Railroad asking for an order authorizing the former to issue 68,000 shares of its capital stock of the par value of $50 per share.

TEXAS & PACIFIC—Plans Improvements—The receivers are contemplating an improvement program totaling about $4,000,000 for the road's lines in Texas this year. The proposed work consists of improvements to track and the rebuilding of equipment.

AMERICAN MALTING—Liquidation— Negotiations for the sale of some of the American Malting plants are under way, which is believed to mark the beginning of the liquidation of the company's assets. This in conjunction with the fact that American Malting has sold all its malt and barley and has closed down all its plants indicates that if the company's buildings can be sold at satisfactory prices liquidation may take place. At present American Malting's cash on hand is equivalent to $55 a share on company's outstanding $8,559,000 first preferred, and if liquidation occurs a larger sum will be realized on this stock, for this figure does not include the value of the buildings, which will cost $6,000,000 to duplicate today. By next summer the company will have about $4,000,000 in the bank from the sale of its malt and barley, which after allowing $2,300,000 for the 33 per cent accumulated preferred dividends will leave a balance of more than $1,500,000. There are direct mortgages of less than $900,000 on the malt plants, which will mean a net of between $4,000,000 and $5,000,000 from the sales of the plants. If the buildings bring what is expected the common share holder will receive approximately $15 a share.

AMERICAN SUGAR—Earnings on Common in 1917—This company's report for 1917 shows that profits available for the $45,000,000 common are equal to $11.25 a share after regular preferred dividends, against $11.48 in 1916. Last year's profits from operations amounted to $10,055,291, after providing for war income and other taxes, and were $298,912 in excess of 1916 operating profits.

AMERICAN TOBACCO—Earnings in 1917—This company reports for 1917 net of $13,310,685 after all expenses and charges, including Federal income and excess profits taxes, against $12,298,058 for 1916. After preferred dividends, profits on the $40,242,400 common is $25.21 a share, against $22.70 in 1916.

DIAMOND MATCH—Net Quick Equal $62.80 Per Share—The Company has expanded its inventory by 100% as a result of war conditions. It has been so strong financially that it has been able to avoid creating any floating debt and at the same time has made a remarkable reserve against depreciation in the value of its inventory. Prior to the war the company's inventory ran between $4,500,000 and $4,800,000. Even at the close of the 1916 year its inventory item was but $4,808,312. At the close of 1917, however, it had expanded nearly 100% to a total of $9,202,044. Because of this big inventory and with realization of the fact that many of the chemicals it employs would be subject to sharp price declines should the war end the company set up as a reserve against the Dec. 31 last inventory figures the sum of $1,700,000, an amount equal to nearly 20% of the book value of inventory. As a matter of fact the total reserve must be not far from $2,000,000 because at the end of 1916 a special reserve to protect stocks against price decline of $300,000 was made. Diamond Match has worked itself into strong financial condition. It has paid off all its bonds, has no floating debt and on Dec. 31 had net quick assets of $10,613,593, equal to $62.80 per share on the $16,965,100 stock, against net quick of $55.10 per share at the end of 1916. In the last five years net quick assets have expanded by about $3,700,000, or over 50%.

EASTERN STEAMSHIP—Bonded Debt Statement—Company has outstanding $1,644,800 bonds and a mortgage on Union Wharf, Boston, for $450,000. This means that during the last year the company reduced its debt by $7,325,200. In addition, it has paid $50,000 of the Union Wharf mortgage which originally stood at $500,000. As a result it has reduced its interest charge on bonds to $82,200 and its mortgage interest to $22,500.

GOODRICH—To Retire Preferred Stock— Goodrich stockholders have approved the plan to retire $900,000 preferred.

GOODYEAR TIRE & RUBBER—Sales for 1918—Gross business is running about 40 per cent heavier than a year ago. It is estimated that sales of this company for the year to end Oct. 31, 1918, will reach $150,000,000, which if realized will represent a 35 per cent gain over the $111,000,000 of sales in 1917. Nor does any substantial part of this output represent war orders. Less than 1 per cent of Goodyear's gross last year was war business, but this proportion is likely this year to be swelled to around 10 per cent. Last year the company produced more than 5,300,000 pneumatic tires. Non-tire products turned out by the company last year had a value of about $25,000,000, and this year will probably reach $35,000,000. The company employs some 26,500 persons and last year its pay rolls totalled $20,000,000.

GREAT NORTHERN PAPER—Capital Increased— Stockholders have approved plan to increase stock from $6,000,000 to $8,000,000. New stock is offered stockholders of record March 5, at par 100, on basis of one new share for every three held.

INTERNATIONAL AGRICULTURAL —To Show Prosperous Year—The fiscal year to end June 30 will be the most prosperous in the company's career. A balance for the $13,055,000 preferred of between $15 and $18 per share would not surprise those who know how well the company is handling its affairs and how satisfactory has been the course of its sulphuric acid sales. International Agricultural, like other fertilizer concerns, is borrowing some money. Its loans are about $4,000,000, all of which are covered by the increase in inventory valuations. Despite these bank loans working capital at the close of the year ought to total close to $5,000,000.

INTERNATIONAL HARVESTER OF N. J.—Dividend on 7% Basis—This company declared a regular quarterly dividend of $1.75 on the common stock, payable April 15 to stock of record March 25. This places the stock on a 7 per cent annual basis compared with 5 per cent paid in previous years.

KELLY-SPRINGFIELD TIRE — Capital Reduced—Company has reduced its capitalization to $9,020,200, a decrease of $1,029,900. The capital as reduced is to consist of $3,900,300 dividend into shares of $100 par 6 per cent cumulative preferred and $5,929,900 divided into shares of $25 par, common.

LACKAWANNA STEEL—Report for 1917—Report for 1917 shows gross sales $77,446,241, against $53,970,836 the preceding year. Net of $30,795,262, as against $17,105,406 in 1916, while total income of $31,653,452, compared with $17,768,730 the year before. Net earnings last year were $29,833,917, which was $13,743,059 increase over the preceding year's. Surplus for the year is $12,948,199, which with the previous surplus of $17,148,169 made total surplus $30,096,368. The final surplus was $28,284,026, against $17,148,169 in the year previous.

PIERCE-ARROW—Earned $11 on Com. in 1917—The company last year earned a surplus after war taxes and depreciation of about $3,550,000, which after allowing for 8% dividend requirements on the $10,000,000 preferred stock is equal to about $11 a share on the 250,000 shares of common stock outstanding. Profits in 1916, which of course, were without any deduction for excess profits tax, were equal to $1.308 on the common stock. The volume of business handled in 1917 made an increase over that of 1916. Accounts showed an excess of quick assets over current liabilities, or a net working capital of over $12,000,000.

SAVAGE ARMS—1918 Output Taken—The income account shows earnings for 1917 of $16.45 a share. During the year $418,641 was spent on the Sharon plant and $1,210,309 on the Utica plants. The company reduced its price on Lewis guns to the Government, but expects that increased production will offset this cut in price.

UNITED ALLOY STEEL—Gross Sales for 1917—Gross sales were approximately $33,700,000, against $16,700,000 in 1916 and $19,800,000 in 1915, illustrating the jump in production made possible through the new plant B which practically doubled its ingot capacity. Net profits were $6,400,000 as contrasted with $3,000,000 a year ago, and $2,600,000 in 1915. After depreciation and Federal taxes the latter alone amounting to $1,500,000, or $3 a share on the capital stock, the company earned $4,400,000, equivalent to $8.80 a share. At present the bulk of company's manufacturing facilities are devoted to Government orders, principally for airplane construction.

U. S. INDUSTRIAL ALCOHOL—Buys Another Distillery—This company has purchased an additional distillery at Peoria, Ill., for manufacturing alcohol to meet the growing demands for the use of that commodity in making powder for the Government.

U. S. RUBBER—Buys Plant in Providence—This company bought the American Locomotive plant at Providence, R. I., where the well known Alco automobile was formerly manufactured. The price is understood to be $500,000.

U. S. STEEL—Steel Output Increases—Judge Gary says that the output of blast furnaces at present is 83 per cent, and that ingot production is at the rate of 87 per cent of capacity. With regard to the production of ship plates, it is 100 per cent. Plate mills have been worked as near capacity as possible right along in order to take care of the demands from the government for war purposes. Structural steel output just now, the Judge stated, was about 90 per cent of capacity. Those percentages with the exception of those for plates show an increase of from 5 to 10 per cent over a week ago, and indicate that the corporation is continuing its policy of pushing ahead on production whenever possible.

WESTERN ELECTRIC — Why Company Shows Small Profits—Western Electric showed in 1916 and 1917 one of the smallest margins of profit of any great industrial. Certainly in respect to profits realized it was not in the same class as General Electric or Westinghouse. For example, in 1916, the company shipped to customers $106,986,677 of apparatus. On this the net profit after taxes and after a set up of $1,473,866 for reserves was $3,204,710. This is a profit of but 2.99 per cent, which is very small when contrasted with the large earnings of General Electric, which figures on a 10 per cent or 12 per cent profit on the same basis. The reason that Western Electric makes no larger earnings is that it has hesitated to advance the price of its products. It has, as a matter of policy, given every advantage of price to its chief customers, the Bell Telephone subsidiaries. Dur-1917 prices had to be advanced, and it is understood that the manufacturing profit was a little larger than in 1916. The company has placed its 150,000 shares of common on a $10 basis.

WHITE MOTOR—Earns $12 a Share in 1917—This company's report for the year shows profits of $3,800,000 after all deductions, including reserves set aside for excess profits taxes, are made. This is equivalent to $12 a share on the 320,000 shares of stock, or three times the present rate of dividends. Dividends are being paid at the rate of $4 per share annually. The company's balance sheet shows a strong treasury position, current assets amounting to $15,600,000 and current liabilities to $2,600,000, or working capital of $13,000,000.

Tom Brown

By

F. A. CUMMINGS

Don't you remember the Market, Tom Brown,
  When Coppers were soaring so high;
How I told you to sell but you called me a Bear,
  For you felt they'd go up, by-and-by?

Yes, those were the days when the Market looked good,
  And we planned to get rich very soon;
For we reckoned the stocks which we held were so cheap
  That they'd surely advance with a boom!

Then—don't you remember that Porphyry Mine
  Which Goldman "regarded" so well;
How he said that he'd let *you* "come in on the deal,"
  But he cautioned you *never* to tell?

So you straightway told me, and I purchased the stuff,
  Bad luck to the day, Tommie Brown!
Your intention was good, but your judgment was punk,
  Tho' you're Mayor of One-Little-Town.

And don't you remember the Pool, Tommie, dear—
  Not the one where you swam when a lad;
But the one where the Brokers all "pulled for the shore,"
  Taking with them what money you had?

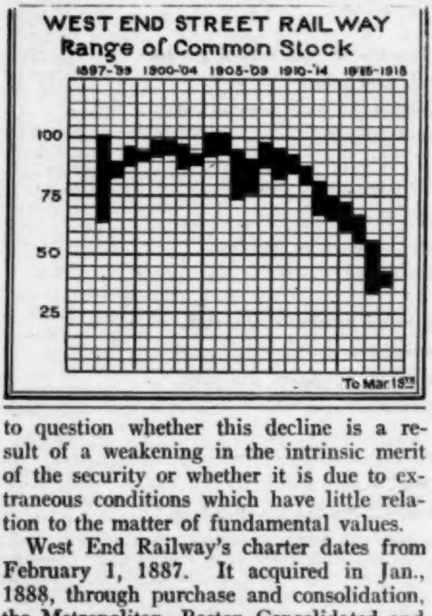
PUBLIC UTILITIES

West End Street Railway's Status

Will the Court Affirm the Proposed Merger with the Boston "L"?—Why the Latter's Earnings Have Declined—Position of Stocks

By C. P. ELSON

IT is now a matter of common knowledge that due to well-known causes long accumulating, namely, rising costs of labor and materials, inadequate rates, and the difficulties of raising new capital to provide for increasing business and for refunding maturing obligations, there has been a depression in public utility securities. That the West End Street Ry. of Boston would have to bear its share of this burden was to be expected. A drop of between 40 to 50 points in recent years, however, looks so ominous that it leads one



to question whether this decline is a result of a weakening in the intrinsic merit of the security or whether it is due to extraneous conditions which have little relation to the matter of fundamental values.

West End Railway's charter dates from February 1, 1887. It acquired in Jan., 1888, through purchase and consolidation, the Metropolitan, Boston Consolidated and Cambridge and South Boston Street Railway, the Suburban Street Railway, and also controls the Somerville Horse R. R. Co. under a lease.

Ten years after its organization, on December 9, 1897, the West End Street Ry. Co. leased its property to the Boston Elevated Ry. Co. the agreement taking effect Oct. 1, 1897, and expiring June 10, 1922. Under the terms of this lease the Boston Elevated Co. agreed to pay 7 per cent annually on West End common stock and 8 per cent annually on the preferred in addition to all interest, rentals, taxes, etc. Furthermore, the Elevated Co. is required under the lease to pay to West End 7/8 of 1 per cent of gross earnings of all lines leased or operated by it, and an amount equal to dividends in excess of 6 per cent per annum.

Consolidation in 1922

In 1911 the Massachusetts Legislature passed an act authorizing the consolidation of the two companies at the expiration of the present lease in 1922. In Sept. of the same year the majority stockholders of both companies approved the consolidation and it will become effective unless the minority stockholders' suit to break the consolidation agreement is successful. Under this merger the preferred stock of the West End Ry. Co. will be exchanged for an equal amount of first preferred stock of the Boston Elevated Co. paying 8 per cent dividends, and the common will be exchanged for an equal par value of 2nd preferred stock of the Boston Elevated Co., the rate of dividend on the 2nd preferred to be decided by arbitrators to be appointed by the court, but in no case to be less than 7 per cent nor greater than 8 per cent.

Thus the West End Street Ry. Co., stripped of its individuality through the lease to the Boston Elevated and on the verge of being swallowed by it, has practically lost its existence as an independent corporation. It is not possible to ascertain

its individual earnings because all the income it receives, under the lease to the Boston Elevated, comes from the latter company. As the continuation of the payment of dividends on the common and preferred stocks of the West End Street Ry. Co. depends on the ability of the Boston Elevated Co. to pay the same, it is of vital importance to know something of Boston Elevated's earnings.

Earnings of Boston "L"

Earnings of this company have been steadily shrinking for some years. Although its gross operating revenue has shown an increase each year, the constant demand of labor for higher wages in the last several years, together with the rapid rise in the cost of materials and other necessities, without any increase in fares—all these have kept the net earnings down. While the average earnings for seven years from 1905 to 1911, inclusive, were well over 7 per cent per annum, earnings since then have only averaged 4½ per cent. The company has made every effort to continue to pay a minimum 5 per cent dividend on its stock. This course may seem extravagant on the face of it, but the explanation is that the Massachusetts savings banks hold nearly $12,000,000 of Boston Elevated bonds. Unless a dividend of 5 per cent is paid on the stock of the company, the bonds under the provisions of Massachusetts Statutes become illegal investments for savings banks. The company in its effort to pay interest on $35,000,000 of Boston Elevated and West End bonds, 8 per cent. dividends on $6,400,000 preferred and 7 per cent dividends on $14,029,000 common stocks of the West End Co. and a minimum of 5 per cent. dividend on its own $23,879,400 of stock, is financially exhausting itself.

Divided Opinion

Opinion seems to be divided on the merits of the present lease of the West End property to the Elevated Co. and also on the proposed consolidation of the two roads. That it has been more profitable for the Elevated Co. than for the West End, however, seems to be the current belief, and it is reasonable to assume that the extensive surface lines are more renumerative than the comparatively short lines of the elevated trackage which the Boston Elevated owns.

Those who have observed the transit situation in Boston are of opinion that West End is a decidedly paying venture for the Boston Elevated. It forms the nucleus of the whole system and is really the parent company. The surface lines in Boston are West End property. The Elevated, as its name indicates, comprises the elevated railway, and (as its name does not indicate) the subways in Boston.

However prosperous West End itself may be its fortunes are tied together with those of the Boston Elevated. Since the agreement for consolidation the West End stock has been steadily declining. From over 90 prior to the "merger act" it hit the low point of 34 in Dec., 1917. Selling now around 40 it yields nearly 9 per cent on the investment which looks attractive enough for a guaranteed stock. The rule, however, of not buying into a reorganization, nor those stocks whose future is uncertain because of court action, applies to the West End issues. With the suit contesting the constitutionality of the "merger act" still undecided, it is difficult to judge what course the West End stocks are likely to take when a decision is handed down. From all appearances it is not unlikely that the stocks will move upward in the event of a decision against the proposed consolidation. But this is about as uncertain as anything could be and in the ordinary course of things the securities do not hold out much prospect of showing immediate improvement.

JAMES STILLMAN'S INJUNCTION

James Stillman, leaving a fortune of fifty million dollars, left instructions to his executors that not more than $250,000 should be invested in any one enterprise. His mature judgment decided in favor of diversity, even for millionaires.

Public Utility Notes

These notes are a record of recent price-affecting FACTORS, and are not to be regarded as RECOMMENDATIONS, to purchase or sell.

ADAMS EXPRESS—May Liquidate Unless Increase Granted—Although business handled by the express companies is of record proportions and gross earnings the largest ever shown, net earnings show heavy shrinkages. Three companies report a decrease of $6,924,566, or 18 per cent, in net earnings for 1917. Adams Express Co. has for months been showing deficits from operations. The fact that the company is a large owner of securities from which it derives substantial income is the only thing which saved it. In the year ended Dec. 31, 1916, the balance shown for the stock was about $19 per share on the 100,000 shares outstanding and of this nearly $12 per share was derived from income from securities owned. Unless a 10 per cent increase in rates is secured, or some other method of aid extended to the express companies, the expectation is that Adams Express will liquidate, as the United States Express Co. did on account of parcel post competition and reduction of rates. In such a contingency Adams Express stock as a liquidating proposition should be worth more than the current market quotation of 65 to 71, as the company's investment holdings, even at the most conservative valuation, would figure in excess of that price.

AMERICAN TELEPHONE & TELEGRAPH—1917 Construction—Expended a larger sum for new construction than during any previous year in its history. The total of new construction added to the Bell System last year was slightly more than $115,000,000 against $66,224,700 in 1916 and only $32,863,700 in 1915.

For 1918 the construction program has been drawn on the basis of a maximum expenditure of $90,000,000.

BROOKLYN RAPID TRANSIT—Notes and Government Aid—One of the largest of 1918 maturities is the issue of $57,735,000 Brooklyn Rapid Transit 5 per cent six-year notes.

Various plans for their refunding have been discussed. It is probable that the issue will be provided for through Government assistance. A plan is being discussed to create an issue of $15,000,000 Brooklyn Rapid Transit preferred stock bearing 7 per cent or 8 per cent dividends.

CITIES SERVICE—New Bond Offering—Company is offering $3,000,000 convertible 7 per cent bonds to stockholders, part of an authorized issue of $30,000,000. The offering is limited to present owners of stock who may subscribe in the proportion of $5 of bonds for each $100 par value of common and preferred held. It is provided that owners of less than twenty shares may subscribe for $100 bonds. A letter to stockholders yesterday said that subscriptions at par and interest would be received until April 15, to be made effective when the Government authorities on new security issues had approved the offering.

DETROIT UNITED—To Issue Gold Notes—William A. Read & Co. and the Guaranty Trust Co. are forming a syndicate to purchase $4,500,000 Detroit United Railway 5-year 7 per cent gold notes due April 1, 1923. The issue is for refunding purposes, including $3,500,000 5 per cent notes, due May 5 and $700,000 underlying bonds matured and paid off out of the company's current resources.

MONTANA POWER—Earnings in 1917—The company in 1917 realized the largest net profits in its history. The common stock balance amounted to $8.04 per share, against $9.20 per share in 1916. The reason for decrease in share profits is that at the end of last year there was outstanding $34,907,500 of dividend-bearing common, against $26,831,800 at the close of 1916. This is an increase of $8,075,700 in the dividend-bearing common during the year. Despite this growth in common of over 27 per cent the balance for dividends was well able to take care of the present $5 dividend with a surplus of 60 per cent to the good.

NEW YORK TELEPHONE—Merger—This company has taken over the Federal Tel. & Tel., a $10,000,000 company, operating in Buffalo and vicinity. In exchange for this new stock the New York Telephone will give the American Telephone and Telegraph $7,500,000 par value of Bell Telephone Co. of Penn., stock. The New York Telephone will then turn the stock over to a trustee. The shares will be placed in a trust agreement for two years, at the expiration of which they will be distributed to the Federal company's shareholders.

PHILADELPHIA ELECTRIC CO.—Notice of Bond Issue—Notice was filed by the Philadelphia Electric Co. of the issuance of $7,500,000 notes and $4,000,000 bonds and by the Delaware County Electric Co. of the issuance of $10,000,000 bonds. The bonds are the collateral for the $7,500,000 two-year note issue recently sold.

SOUTHERN CALIFORNIA EDISON—January Earnings—This company for January reports gross of $565,770, net of $389,235, and surplus after charges of $157,138. No accurate comparison with the earnings for the corresponding period of last year is available, as gross revenues and operating expenses were affected by the fact that in May, 1917, power supplied to the city of Los Angeles was changed from a retail to a wholesale basis.

MINING AND OIL

Position of Mexican Petroleum

An Age of Oil—Company's Increased Production—Estimate of 1917 Earnings—Is the Common Speculatively Attractive?

By CHAS. R. FOOTE

IF the "Lusitania" had been an oil-burner instead of a coal burner she would have escaped destruction, according to a recognized naval authority. Had she been able to pass through the danger zone at her full speed of 26 knots, it would have been next to impossible, except by the merest chance, for a submarine to have sunk the ill-fated vessel. As it was she was obliged to proceed at a speed of 15 knots owing to a shortage of stokers and the story of a great tragedy and a greater crime was written.

The war has done much to bring out the importance of oil. Marshal Joffre is reported to have said that gasoline stopped the Huns at Verdun, and every day serves only to increase its importance as an industrial factor. It is an oil age.

The great oil producing fields of the United States are now fairly well defined. While it is of course not impossible that oil bearing sands as great or greater than any heretofore discovered may come to light, the probabilities are that this country must look to its present fields for increased production. In a scholarly article which appeared in the May 12, 1917, issue of this publication, Mr. E. D. Pouch, a recognized oil authority, pointed out that there are now six great oil producing fields in this country, to wit: the Appalachian, Lima-Indiana, Illinois, Mid-Continent, Gulf and California fields. Since that time there have been important discoveries in northwest Texas, but it is still too early to determine the full importance of them.

In his article Mr. Pouch stated:

"In February, 1916, the Geological Survey submitted an estimate that 7,600,000,000 barrels of oil remained unproduced in our fields. What will the demand be five years from today? The Mexican situation in the oil industry is *now* the unknown factor. As it appears to me, Mexico is the only country that can change the present trend of crude oil prices. If Mexico were opened up properly, with sufficient shipping facilities to carry its present production, without drilling any more wells, the price of crude would remain fairly stationary, in my judgment. If Mexico remains in its present uncertain condition and unless the cost of water transportation declines considerably, the price of crude seems certain to increase for several years."

TABLE I—MEXICAN PETROLEUM CO., LTD. (OF DEL.) AND ITS SUBSIDIARIES

Subsidiaries:	Authorized	Issued	Owned and Pledged by M. P. Co., Ltd.	Held by Consol. Cos.	Owned by by Public
Mex. Pet. Co. of Cal. (Stock)....	$10,000,000	$6,576,994	$6,248,175	$243,790	$85,020
Huasteca Pet. Co. (Stock)........	15,000,000	14,680,600	14,678,100	....	2,500
Tannahua Pet. Co. (Stock)......	1,000,000	1,000,000	999,100	....	900
Tuxpan Pet. Co. (Stock).........	1,000,000	1,000,000	*999,100	....	900
Mex. Pet. Co. of Cal. 6s, due 1930	2,000,000	2,000,000	1,918,400	....	81,600
Huasteca Pet. Co. 1st 6s.........	13,000,000	3,145,000	3,145,000	....	......
Huasteca Pet. Co. Pipe Line 6s, 1929	2,000,000	2,000,000	1,000,000	....	675,500
Huasteca Pet.-Mex. Pet. Co. Ltd. of Del. Joint 6s, 1925.........	1,000,000	1,000,000	295,000	180,300	269,400

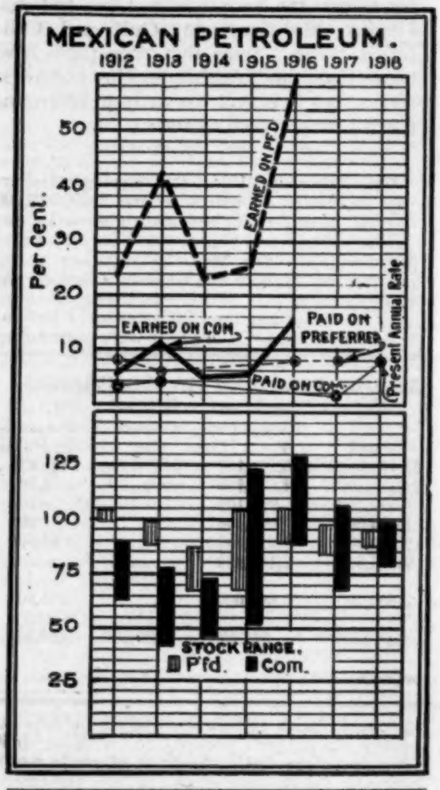
*Owned, but not pledged under company's mortgage.

A Strategical Position

As the dominating factor in the Mexican oil situation the Mexican Petroleum Company occupies an important strategic position in the oil world. This company, a Delaware concern incorporated in 1907, is

a simon-pure holding company and the extent of its holdings in its subsidiaries is shown in Table I.

Mexican Petroleum's subsidiaries own or control about 600,000 acres of land, of which about 75 per cent is owned in fee and the balance under leases extending in most cases about twenty-five years. The holdings of the subsidiaries may be roughly divided into two groups, the properties



owned by the Mexican Petroleum Co. of California, consisting of 450,000 acres situated fifteen miles west of Tampico, Mexico, and the properties owned by the other companies situated about 100 miles south of Tampico and a few miles inland. It is in this second group that the famous Cerro Azul No. 4 well is situated and which is connected by a pipe line to the company's tank farms and docks at Tampico.

Developments up to the time of the last annual report consisted of 29 producing wells with a daily capacity of 330,000 bbls. per day, 15 kilometers of railroad line, 318 kilometers of 8 inch pipe line with a capacity of 60,000 bbls. per day, about 1,000 acres of terminal property at Tampico where the steel storage tanks and concrete reservoir have a storage capacity of about 10,000,000 bbls., equal to approximately a year's supply of oil under the then existing contracts. The subsidiaries' properties include 200,000 acres of grazing and agricultural lands on which the company has about 8,000 head of cattle and 1,500 horses.

During the year 1916 the company expended nearly $4,000,000 for land and distributing stations in the United States, but made no additions to the already extensive oil acreages owned in Mexico. The growth of the company's oil production in the last reported five years is shown by the following:

1912	8,622,700 bbls.
1913	9,624,764 "
1914	8,711,455 "
1915	7,925,025 "
1916	12,862,973 "

The big jump in output which 1916 showed was due to the Cerro Azul No. 4 well, whose vastness was such as to enable the company to concentrate upon the problem of getting the oil out of Mexico rather than to seek for further increased production.

Capitalization and Earnings

Mexican Petroleum has an authorized issue of $12,000,000 8 per cent non-cumulative preferred stock, all of which is outstanding, and $48,000,000 common stock, of which $40,411,800 is outstanding. Its funded debt consists of $2,940,020 Mexican Petroleum convertible first lien and refunding 6s., $269,400 Huasteca Petroleum Co. and Mexican Petroleum Co., Ltd. (Del.) joint gold 6s, and $675,500 Huasteca Petroleum Co. Coast Pipe Line first mortgage gold 6s., making a total of $3,884,920. Earnings on the preferred and common stocks and dividends up to the time of the last annual report are shown in Table II.

Late in 1917 Mexican Petroleum resumed dividends on the common stock by paying 1½ per cent and at the next directors' meeting early in the current year, the common stock was placed on an 8 per cent basis.

This action alone indicates that the earnings for 1917 showed a substantial improvement over 1916 when the company reported a balance of approximately 15¾ per cent on the common.

No report is at hand for 1917 as this is written, but deliveries of oil last year were approximately 100 per cent greater than in 1916. Estimates of 1917 earnings place the balance on the common at 25 per cent before deductions for taxes. December's sales by the company were approximately $1,000,000 greater than for any one month in the company's history and it is stated that prices for oil this year are ranging higher because of the expiration of old contracts and the making of new contracts on higher price bases.

Mexican Petroleum is controlled by the Pan-American Petroleum & Transport Co. The latter owns $9,035,000 of the $12,000,000 preferred stock outstanding, or about 75 per cent, and $17,500,000 of the outstanding $39,232,000 common stock, or approximately 45 per cent. The Pan-American company handles the transportation end of Mexican Petroleum's business and now has 12 ships afloat. Another ship is expected to be launched shortly and three more within the next six months, which will give the Pan-American company a total of 17 ships. So far the U. S. Government has commandeered 5 of the company's ships and the others are engaged in the transport of oil between Mexico and this country.

Outlook for Stocks

Both paying 8 per cent and selling at 91 and 92, the preferred and common stocks yield approximately 8.7 per cent. It would appear that the preferred is entitled to a much better rating for as seen by Table II, the earnings' margins of safety for the preferred dividend have been very ample for the last six years. Total net profits available for dividends for the last five years aggregated $23,237,425 or an annual average of $3,872,904, equal to an annual average of $32.27 earned on the preferred stock and $8.03 on the common after preferred dividends.

Whatever uncertainty exists in the situation is found in the matter of transportation. There is a large market for the company's output, prices are very satisfactory and the situation in Mexico seems quiet. There is, of course, the likelihood that the Government may commandeer more of the company's ships, but as oil is an important essential in the conduct of the war, it would appear that it is distinctly to the advantage of our Government to keep oil moving from Mexico to this country. In view of the company's present large earnings it would appear that the common stock around present levels presents considerable speculative possibilities when the time comes to take the constructive side of the market.

TABLE II—MEXICAN PETROLEUM'S EARNINGS

	Earned on Pfd.	Paid on Pfd.	Earned on Com.	Paid on Com.
1911	20.61%	8%	4.73%	1%
1912	23.75	8	5.91	3
1913	*43.19	6	*11.22	4
1914	23.02	..	4.78	..
1915	24.07	..	4.93	..
1916	59.61	8	15.79	..

*Includes profit of $907,396 on sale of Petroleum Transport Co. stock.

MARKET STATISTICS

			Dow-Jones Avgs.			50 Stocks			Breadth
			40 Bonds	20 Indus.	20 Rails	High	Low	Total Sales	(No. Issues)
Monday,	March	11......	76.45	79.78	82.55	69.78	69.09	375,700	169
Tuesday,	"	12......	76.41	78.67	81.91	69.74	68.82	332,400	189
Wednesday,	"	13......	76.37	78.68	81.76	69.06	68.41	248,500	163
Thursday,	"	14......	76.40	79.13	82.70	69.67	68.81	278,700	175
Friday,	"	15......	76.30	79.06	82.06	69.61	69.00	308,600	164
Saturday,	"	16......	76.35	78.98	82.23	69.36	69.00	181,600	136
Monday,	"	18......	76.24	77.93	81.24	69.29	68.29	455,600	189
Tuesday,	"	19......	76.12	78.13	81.21	68.62	68.07	285,700	162
Wednesday,	"	20......	76.06	78.14	81.25	68.61	68.16	197,100	134
Thursday,	"	21......	76.13	78.71	81.55	68.73	68.27	259,800	152
Friday,	"	22......	76.09	77.71	80.70	68.66	67.93	302,200	153
Saturday,	"	23......	76.05	76.24	78.73	67.47	66.40	451,100	177

Oil Notes

These notes are a record of recent price-affecting FACTORS, and are not to be regarded as RECOMMENDATIONS to purchase or sell.

CALIFORNIA PETROLEUM — Earnings for 1917—Report shows gross $3,185,527, against $2,081,154 for 1916. This is equal to $10.35 a share on $12,343,026 preferred stock, against $6.57 in 1916. Surplus for year $784,775.

GALENA-SIGNAL—Estimated Earnings on New Properties—It is estimated that earnings to accrue as a result of the purchase of the new properties would be $1,000,000; 8% on $2,000,000 preferred, $160,000; 12% on $4,000,000 common $480,000; interest charge, $168,000; surplus, $192,000. After the additional $4,000,000 preferred is sold and proceeds employed in enlarging refinery and the purchase of steamers, tank cars, etc., estimated earnings on property to be acquired and new investments would be $2,000,000; 8% on $6,000,000 preferred, $480,000; 12% on $4,000,000 common, $480,000; interest charges, $168,000; surplus, $872,000. This estimated statement of earnings is on the new properties to be acquired and the proposed increased capital stock, and does not take into account the business and earnings of the company on its present capitalization. At present Galena-Signal Oil has $12,000,000 common and $2,000,000 8% preferred.

INDIAN REFINING—Net Income in 1917—Annual report for 1917 shows net of $2,878.95 before deducting $1,200,000 reserve for estimated war taxes. After this charge profits were $1,678,395, against $2,771,774 profits for 1916, before deducting $2,686,322 deficit at January 31, 1916. Surplus after deficit amounted to $85,451 at close of 1916. Dividends paid on the preferred in 1917 totaled $1,312,500, of which $1,102,500 represented accumulated dividends from 1911 to 1916. Common stockholders received $90,000 in dividends. Allowing for dividend requirements on the preferred, share earnings on common stock were equal to $48.94 last year, but in view of the fact that the company paid up $1,102,500 in back dividends the amount of profits actually available for the $3,000,000 common were equal to $12.19 a share. Thirty miles of four-inch pipe line will be constructed from the new oil territory in Powell county to Ravenna on the Kentucky river. Oil will be stored in tanks at Ravenna and later will be shipped down the Kentucky river by boat to refineries.

METROPOLITAN PETROLEUM—Notice to Stockholders—Stockholders' committee requests the stockholders to deposit their stock with the Mercantile Trust & Deposit Co. It is not probable that it can effect any further exchange of Metropolitan Petroleum for Island Oil stock, but is willing to make further efforts to adjust in some fair manner the relative interests of Metropolitan Petroleum stock and bondholders and hope that its efforts may result in saving some of the Island Oil stock now in the Metropolitan Petroleum treasury for distribution to Metropolitan Petroleum stockholders.

MIDWEST OIL—1917 Earnings—Company reports gross $1,591,439, against $1,150,610 in 1916. Net was $576,216, compared with $466,864 in 1916. Balance sheet shows yearly surplus $202,877.

PRAIRIE OIL & GAS—Votes Extra Dividend—This company declared an extra of $2 in addition to the usual quarterly dividend of $3 a share, payable April 30 to stock of record March 30. The extra dividend is unchanged.

SAPULPA REFINING—To Issue 55,000 Shares at 8—In order to reduce indebtedness and to provide additional capital, company offered 55,000 shares to stockholders of record on March 18, 1918, for subscription at $8 a share to the amount of 16% of their registered holdings. Net sales for 1917 were $5,177,944, an increase of $2,674,530 over 1917. Profit on sales $833,129, an increase of $527,624 over 1916. After $52,000 reserve for Federal income and excess profits taxes share earnings on the $1,725,000 stock ($5 par) were equal to $1.10 a share, as compared with $1.11 in 1916. Balance Sheet showed surplus for year $51,782 and profit and loss surplus of $705,062.

SINCLAIR OIL & REFINING—New Refinery in Operation—New refinery at East Chicago, Ill., started operations March 13, oil having reached it from the Oklahoma and Kansas properties through the 800-mile pipe line which was completed recently. In addition to operations at the East Chicago refinery it will be possible to start deliveries of 2,000,000 barrels of crude oil recently sold to the Standard Oil Co. of Indiana. The new Sinclair refinery has capacity of 10,000 barrels daily.

TIDE WATER OIL—Sustains Gasoline Loss—The Constable Hook plant of this company sustained a $50,000 loss when the plug of a high-pressure still was blown out. Twelve hundred gallons of gasoline were released and this was ignited by a fire burning under the still. One of the stills was completely destroyed.

UNITED WESTERN CONSOLIDATED—Permitted to Sell Stock—Commissioner of Corporations authorized the United Western Consolidated Oil to sell 162,750 shares of stock at $2.50, so as to net the company not less than 90 per cent. of the selling price. The commissioner also ratified an issue of 437,250 shares heretofore issued by the company in exchange for properties.

Low Priced Mining Stocks of Merit

Consolidated Coppermines

Its Remarkable Rise from Obscurity—An Interesting Neighbor of Nevada Consolidated—Its Prospects

By VICTOR DE VILLIERS

WHEN the whole story of Copper comes to be written, Consolidated Coppermines will claim the attention of the future historian, whether he decides to praise, blame or condemn. Upon a strictly analytical basis, the company should have reorganized or died around the middle of 1916. Its shares, then inactive around 1½ to 2, reflected the dismal outlook from the average investor's viewpoint. But the average investor was a poor prophet, so far as Coppermines was concerned, for it refused to justify the pessimists by dying or reorganizing.

Its change of form was due to three factors: ownership of the goods, the ability to deliver, and the temporary advantage of high copper prices. The company seized its opportunity at the right moment with the result that it holds the light-weight championship of the whole copper list for 1916-1917 with a 1,200 per cent increase in production, and a 600 per cent advance in market price for its shares. During the period under review, production rose from a million pounds of copper a year to a million pounds a month; the shares advanced from under 2 to over 12. This spectacular move, unique in mining history, places the company in a class with the newer producers such as New Cornelia, United Verde Extension, Magma, Mason Valley, Howe Sound and others, discussed lately in these pages.

As a man may be judged by his friends, a mine has much to gain by having good neighbors. In this respect Coppermines has not erred, for it adjoins the Utah-controlled Nevada Consolidated, whose shares sold between 6 and 9 ten years ago compared with the same average price for Coppermines shares during the last few months. It is possible that a delayed appreciation of the company's favorable location, and the belief that it might some day be "a second Nevada Consolidated," helped the recent speculative advance in the shares to their record high of 12¼. But spasmodic advances and declines, above and below probable values, is part of mining-share speculation, and the loser has himself to blame if he climbs aboard during a speculative bulge. One can measurably determine or find out the safety zone, and do one's buying and selling at a respectful distance from pre-determined points below or above the danger line. To find the safety zone is the whole object of these articles. The realization that a certain property might develop into "another Nevada" *should come early*, or not at all.

Between 5 and 6, the shares of the company perched like Mahomet's coffin midway between its high and low, would, from a superficial examination, appear to have reached a dead-center; but we know from experience that mining shares seldom sell at real values in the early stages. Consolidated Coppermines has reached an interesting phase in its mining and market career, and we may expect some erratic moves in its securities before the final chapter is written.

At the time of organization in 1913, the company was a consolidation of the old Coppermines and Chainman Consolidated companies. By later acquisition of the New Ely Central, Giroux Consolidated Mines (the latter dominating Butte and Ely Central) and a further majority interest in Butte and Ely, the Consolidated Company now owns about 3,360 acres, or more than half of the mineralized area of the Ely-Robinson district of White Pine County, Nevada. The remaining area is largely held by Nevada Consolidated. The company also owns, through the Giroux Consolidated, some mining claims in Sonora, Mexico, of problematical value. In addition to its mining claims, it controls 4,365 acres of ranch land in Steptoe Valley reached by the Nevada Northern Railway, near the reduction works of Nevada Consolidated, about twenty miles from

Ely and its mines. These lands carry water rights sufficient to supply a concentrating plant of 20,000 tons daily capacity.

These large holdings, even in the Ely mining area proper, are by no means all "mineralized" in the mine-making sense. It has been estimated that fully 1,000 acres can be discarded as having none other than a land value; but partial exploration of another portion—1,000 acres contiguous to the Nevada Consolidated holdings—has proved the existence of about 28,000,000 tons of 1.19 per cent ore. These figures deal with the limited area of 1,000 acres actually explored. They do not take into consideration the remaining third of the Ely holdings of over 1,300 acres, fairly well known to have attractive development possibilities. Moreover, the figures deal with what are known as the "concentrating porphyry ores" which are low-grade bodies lying in large continuous masses that can be mined at low cost; some by open pit steam shovel methods, and others by underground mining. These ores, the backbone of the great porphyry mines such as Nevada, Utah, Chino, Ray and Miami, can usually be depended upon to give commercial results during a reasonably long life.

In this connection, it is amusing to recall the ponderous statistics of the oldtimers who gave Nevada a "life" of fourteen to seventeen years, more than ten years ago. Each year, Nevada takes on another lease of perennial youth by opening up new ores, adding to its ore reserves, and refusing to "liquidate" or confirm the "life" it should have—on paper. It still has about fourteen to seventeen years to go before exhaustion of present reserves. Perhaps more. Who knows? The porphyries are persistent rather than spectacular.

Consolidated Coppermines has still another string to its bow. While primarily a porphyry, it possesses bodies of high-grade direct smelting ore in fissure and replacement deposits in limestone, at or near limestone-porphyry contacts, which average 10 to 12 per cent in copper. No exact estimate of tonnages or grade of these valuable orebodies are available. They are known to exist in the company's Old Glory, Taylor and Alpha claims (the latter in particular) in quantities of commercial importance.

Consulting Engineer E. F. Gray is reported to have commented on the matter. His reported remarks throw some light on the subject, and as they have been uncontradicted hitherto we may quote the statement: "The present production is merely a drop in the bucket compared to what it can be and will be made. Our present mill facilities, and treatment of our concentrates and direct smelting ore by the Nevada Consolidated smelter, are merely an outlet for ores extracted in the course of development work. I am strongly in favor of our company building a new mill with an initial unit of 5,000 tons and its own smelter. I know we have the ore and lots of it."

In the light of someone's ability to boost production from 1,000,000 pounds a year to 1,000,000 pounds a month, the 1916 production was certainly "a drop in the bucket" compared with the 1917 performance. If Mr. Gray was as enthusiastic in 1916, it is clear that his predictions as to the future are entitled to consideration.

The Turn of the Tide

Consolidated Coppermines is a Delaware corporation with an authorized capital of $8,000,000 consisting of 1,600,000 shares of $5 par value, fully paid and non-assessable. About 825,000 shares are issued, and the balance are in the treasury principally for bond conversion purposes. There is outstanding about $2,200,000 1st mortgage 7 per cent convertible bonds, out of an authorized issue of $3,500,000 due in 1928. These bonds, which are convertible at any time prior to maturity into stock at par, are steady in the market at around 110. As the shares have sold between 12 and 6 during the past few months, some conversion has doubtless taken place and assisted the decline through profit-taking arbitrage.

The reason for this bond issue becomes apparent when some of the early financial statements of the company are examined. In spite of its then promising prospects, the balance sheet as of December 31, 1914, showed a deficit of $104,651. The financial position was little improved in 1915 although President Boynton had sent a clear-cut and straightforward statement to stockholders with an urgent appeal for their support in connection with the bond issue. Just previous to its issue, the float-

ing indebtedness was around $1,500,000 for the parent company and its affiliations.

Market valuation for the whole property, with its shares selling at 1.75 had fallen to less than $3,000,000 or about 10 to 12 cents a ton for its developed ore. Throughout 1916 the company struggled along through a morass of debt and doubt, partially relieved by a favorable contract made with Nevada Consolidated to mine and treat certain smelting ores in its Giroux and Butte & Ely ground, where the steam shovel operations of the giant Nevada Consolidated encroached upon Coppermines ground.

The turn appears to have come at the beginning of 1917 when Albert E. Humphreys and Thomas A. Merritt, both of the Merritt Oil Company, joined the board as president and second vice-president, and announcement was made that funds were provided to meet pressing floating indebtedness, and to cover the cost for an additional 500-ton unit at the old Giroux concentrator. Announcement was also made that the company expected to commence mining and milling operations up to 500 tons of crude ore daily, and to increase production up to 1,000 tons daily as soon as the new mill addition is completed.

The balance sheets submitted to the new board for 1914 and 1915 showed operating deficits of $104,651 and $71,737. The last 1916 statement available, compiled to April 30 of that year, showed a deficit of $180,784, an increase during the year of $64,197. These figures, resembling the records of proceedings in bankruptcy, compared with the 1917 balance sheet, show that the rehabilitation program commenced at the beginning of 1917 has been eminently successful, and that those responsible for the jacking up of finances and production have achieved a creditable task for stockholders.

Value of Ore Reserves

It will probably be a matter of years before any near approximation of the entire ore reserves of the company's properties can be made, but it will be sufficient for our present purpose to confine ourselves to the known reserves of porphyry ores contained within one-third of the developed mineralized area. These reserves, fully or partly developed, are officially given as 27,164,426 tons of 1.19 per cent ore.

Although the geology of the Ely-Nevada district is peculiar in the proven unusual occurrence of two distinct grades of ore within the same mineralized zone, a low-grade under 2 per cent and a high-grade over 10 per cent, it is fairly well accepted that in the case of the porphyries at least, nature distributes her minerals with a pretty even hand. In other words, although rich "strikes" may occur with consequent high and low-grade patches, the average showing will be around a certain level. Experience teaches that copper mining is a fairly uniform proposition: sampling and averaging over a wide area will usually

CONSOLIDATED COPPERMINES

Balance Sheet September 1, 1917

Assets:

Mining and Treasury Property		$1,171,201
Investments		2,915,601
Cash		321,056
Notes and Accounts Receivable		*908,071
Miscellaneous		216,303
Bullion Account, Giroux a/c		988,016
Profit and Loss		720,920
		$7,321,175

Liabilities:

Capital Stock	$8,000,000	
Unissued	3,878,015	
		$4,121,984
First Mortgage 7% Conv. Bonds		2,202,400
Reserve Items		17,924
Sinking Fund		28
Accounts Payable		751,429
Giroux Operating Contract		227,409
		$7,321,175

give a true indication of what may be expected in the last analysis.

Consequently, taking the experience of neighbor Nevada Consolidated into our calculation, we find that Consolidated Coppermines has under-estimated rather than over-estimated the probable future showing of its proven 1,000-acre tract; unless the geology of the district ultimately proves to be eccentric.

The Nevada reserves are calculated upon a 1.59 per cent basis, compared with the 1.19 per cent Coppermines figure, probably due to enrichment at greater depth in the Nevada property. But, accepting the lower figure for conservative estimate, this would give a total of 646,513,338 pounds of copper as the present Coppermines low grade

reserves. The actual recovery would not exceed 80 per cent, which would reduce the total to 517,210,670 pounds, or the equivalent of 627 pounds for each share outstanding. Nevada Consolidated has made an average profit of 5½ cents a pound on its copper from 1911 to 1914, but its equipment has been the best that money can buy.

It is obvious, therefore, from known factors, that there is a potential $30 profit on each share, out of the 627-pound copper equity behind it. Barring disaster, the company should *gradually and ultimately* realize such profits, and have them available for dividends or further expansion.

In this connection, Nevada Consolidated with about 2,000,000 shares and around 70,000,000 tons of developed ore assaying 1.59 per cent shows over 1,000 pounds of copper for each share of stock. But, Nevada shares command three times the price of Coppermines, and statisticians claim that it is "a liquidating proposition." Market quotations value Nevada at $40,000,000 against $7,000,000 for Coppermines, which is not a liquidating proposition—even statistically.

If Nevada is selling for what it is worth, and ore reserves of Coppermines are reliably estimated by its engineers, the latter is out of line. At between 5 and 6 it is as near the safety zone of intrinsic worth as careful appraisement can well estimate. General market uncertainties are more nearly discounted with Coppermines at 5 or 6, than with Nevada at 18.

It would be difficult to estimate the additional speculative value of the higher grade smelting ores, further additions to reserves in 1300 acres of unexplored territory, water-rights, ranch lands, the Sonora property, "windfalls" in the way of strikes; or the possibility of Coppermines, like Nevada, refusing to "peter out." These are the unknown factors.

Its Financial Strength

No great apprehension need be felt over the funded indebtedness of $2,202,400 as this appears covered by tangible liquid assets. As of September 1, 1917, current assets were $2,470,116 against current liabilities of $986,150, an excess in assets of $1,483,966. The strength of the Board of Directors, and the proof of their ability to pull the company through a crisis is an insurance which should not be overlooked.

Current earnings, or the possibility of early returns in dividends should not be scrutinized too severely in a young company trying to stand squarely on its own feet on a pay-as-you-go basis, especially in war-time. A premature dividend declaration would be regarded with suspicion by the careful investor who seeks a steady building up of his property with equities which will make the dividends, once in sight, secure for years to come.

The financial condition is satisfactory: the dark days of 1915 and 1916 with their prolific crop of creditors and litigants appear to be put behind securely, and present operations are being conducted profitably. The company is working with an old mill, built on the Giroux property in 1907, and re-adapted last year to modern oil-flotation methods in two units of 500-tons daily capacity each. A new mill and a smelter would be an expensive affair, but shareholders should give their support to any financial plan which contemplated their erection in the future, as the shoe will pinch severely in a 15-cent copper market without such equipment. The properties are sufficiently equipped in other respects for a ten million pound yearly proposition.

Although the company is facing the prospect of considerable capital expenditures and lower copper prices, it is temporarily enjoying a 23½-cent selling price, revenues from direct smelting ores, and can probably continue profitable operations with its present equipment for some time.

Conclusion

Consolidated Coppermines is a worthy enterprise with a creditable record, whose shares will bear watching to accumulate outright only in weak markets. The investor should avoid speculative commitments during sensational advances, and buy only when no one else appears to want them particularly. As a long pull copper speculation, they have much to recommend them, as the company is steadily developing, and its shares will probably sell higher during the next move in the coppers. Their fluctuations will meanwhile be discouraging to impatient holders. Dividends are logically remote, and should not reasonably be declared for a considerable time.

Mining Notes

These notes are a record of recent price-affecting FACTORS, and are not to be regarded as RECOMMENDATIONS to purchase or sell.

AMERICAN SMELTING & REFINING—Tax Closes Plant—This company closed its plant at Aguacalientes rather than submit to a new tax levied in production. The tax levy, it is declared, is unconstitutional, but in spite of this the Government of Mexico insisted on collecting it. The refining company has appealed to the Mexican supreme court for a ruling. The tax is ½ of 1% and amounts to $18,000 a year on the Aguascalientes plant.

BUTTE & SUPERIOR—Minerals Separation Litigation—A hearing began in San Francisco on the appeal of the Butte & Superior from the adverse decision in the Minerals Separation litigation. The appeal was heard by the full bench of the United States Circuit Court before Justices Morrow, Gilber and Ross. Among other phases of the litigation will be the question as to whether or not the mining companies can legally avoid the restrictions of the Minerals Separation Co. patents by the admixture of more than 1% of oil in the process of recovering copper by flotation. Judge Bourquin ruled that this was clearly an evasion of the patent. In a preceding hearing in this court a decision was rendered in favor of the Butte & Superior, one of the few verdicts rendered in favor of the mining companies, but this was before the United States Supreme Court had rendered its strong decision in favor of the Minerals Separation Co. Millions are involved. If this case goes against the mining companies, as have most of the others, it would seem to come pretty close to concluding all of the long-drawn out litigation.

CHILE COPPER — January Production—Production amounted to 8,358,000 lbs., against 7,912,000 lbs. in December, 8,872,000 lbs. in November, 9,950,000 lbs. and 3,249,000 lbs. in October. In January of last year the output was 7,756,000 lbs., and in the same month of 1916 it amounted to 2,066,782 lbs.

CONSOLIDATED MINING & SMELTING — Concentration Plant Projected—It was reported that Consolidated Mining of Canada, Ltd., might erect a new concentration plant at Nelson, B. C. The principal mines of the Consolidated company are at or near Kimberly, B. C., and Nelson appears to be a convenient central point for a plant of this description. No definite decision on the new project is expected immediately. The Consolidated has a 400-ton concentrator at Trail, said to be doing a good business in zinc-ore treatment.

DALY-WEST—Mine Above the 1550 Level Leased to Ontario—The extent to which the stockholders backed up the new directors was indicated by the fact that they sent proxies for over 130,000 shares and the old management voted 150 shares. The old management had agreed to turn over the record on March 1, and until that has been done and sufficient time given to make an examination of the accounts there is no information available regarding the financial conditions of the company. It has been discovered, however, that the property above the 1550 level is under lease to the Ontario Silver Mining Co. in the management of which the Bambergers are largely instrumental. Energetic action to safeguard the interests of the Daly-West stockholders may be expected in due time. The lease of the Daly-West mine above the 1550-foot level is understood to be a six-year lease and has four years longer to run.

EAGLE & BLUE BELL—Earnings in 1917—In 1917 earned $477,229 before Federal taxes. This is the best year in the company's history, exceeding 1916 profits by $322,453. Ore shipments totaled 36,146 tons, which exceeded the 1916 output by 8,862 tons. The net smelter returns showed an increase of $391,473 due to the increased tonnage of high-grade ore and higher metal prices. The net operating gain for past three years follows: 1915, $143,345; 1916, $154,776; 1917, $477,229.

FEDERAL MINING & SMELTING—Report Shows Deficit—Report for the quarter ended Jan. 31 shows a deficit of $193,525 against net earnings of $359,929 in the quarter ended Oct. 31, 1917, and net earnings of $316,165 in the corresponding period last year. The shipments during the quarter were 12,036 tons, compared with 31,818 tons in the quarter ended Jan. 31, 1917.

FRANKLIN MINING—February Output—In February, Franklin stamped 25,791 tons of rock, which yielded 712,960 pounds of mineral and approximately 335,091 pounds of ingot copper. The rock handled in February yielded 13 pounds of copper a ton, against 10 pounds—the 1917 average—and 11½ pounds in 1916. On March 1 Franklin produced 34,580 pounds of mineral, and if this rate is maintained for the full month the company should turn out close to 422,500 pounds of ingot copper in March—an increase of 84,700 pounds over February.

GRANBY CONSOLIDATED — Keeping Up Record Tonnage—From its Anyox property Granby continues to secure excellent results. Although a short month February witnessed the treatment of 89,000 tons of ore at the Hidden Creek smelter comparing with 91,000 tons in January and 90,000 tons in December. Despite high wages and cost of supplies management has been able at this branch to keep copper cost down to a low level, the average for the month of January being 9½ cents a pound, landed in New York, against 9 cents in December. The Grand Forks plant

has been running at about 50% of normal. Even with its extremely high costs of operation Grand Forks can show a small profit with copper at 23½ cents a pound.

HOWE SOUND — Status — This company has the distinction of being the first copper producing company to enter the dividend ranks during the current year, its initial disbursement of 5% calling for $100,000. The company controls and operates the Britannia Copper Mining in British Columbia, which produces upwards of 16,000,000 lbs. of copper per annum. The property has a large tonnage of low grade ore—over 18,000,000 tons averaging less than 2% copper—and with high metal prices and good results emanating from use of flotation in the treatment of its product has developed into one of the largest copper factors in Canada.

KENNECOTT — Earned About $10 a Share, 1917—Kennecott earned about $10 a share in 1917 after all charges and taxes. Profits in 1918, even with 23½-cent copper and high costs, will be more than double the $4 dividend. And yet Kennecott is not having an easy time of it. Production in Feb., 1918, was the lowest since June, 1917. But this was not surprising. Unusually severe weather, a threatened strike on the railroad in Alaska, poor deliveries of fuel and decreased efficiency among the miners were some of the factors Kennecott had to contend with in February. With return of mild weather and better fuel deliveries, development work should make substantial headway and output return to normal. Kennecott made extensive plans last year. Big things were expected from Beatson. The capacity of the plant was to be increased, but labor troubles sidetracked the work. It is expected that the increase in capacity will be effected before many months elapse.

LA ROSE CONSOLIDATED — Net Profit $71,372 in 1917—This company reports net of $71,372 last year, on production of 437,337 ozs. of silver, having net value of $328,751. Average price of 82.94 cents per ounce was received comparing with 64.89 cents in 1916. Increased cost of production, however, largely offset the higher silver price, this item for 1917 averaging 68.64 cents an ounce, against the previous year's cost of 46.39 cents. At the end of 1917 the company had a surplus of $485,286, the principal item of which was $437,828 in cash, call loans and Victory bonds.

MASS. CONSOLIDATED — Report of Operations for 1917—Report of operation for 1917 shows the following results: Tons hoisted, 285,769; rock stamped, 244,671; mineral produced pounds, 6,082,820; refined copper, pounds, 3,984,616; pounds refined copper per ton stamped, 16.29.

NEW CORNELIA COPPER—Increase in Ore—Gains in the grade of ore in the original New Cornelia deposit from 1.54% to 1.65% adds approximately 22,000,000 gross tons to its value. These figures do not include the deposits in the new ground recently acquired through the taking over of the A. J. O. Consolidated which has from 25,000,000 to 30,000,000 tons of proven ore.

NIPISSING—Extra Dividend Omitted—Nipissing declared the regular quarterly dividend of 5% payable April 20, to stock of record March 30. The usual extra dividend of 5% was omitted. The financial statement of the company on March 18 shows cash in bank, $1,645,565; ore and bullion on hand, $1,127,433; bullion in transit, $45,561; total, $2,818,561, against a total of $3,067,986 as of Jan. 2, 1918.

NIXON NEVADA — Finding of Rich Ore Reported—This company reports the finding of a rich ore body in vein No. 4, with shipments showing a gold content of $23 to $25 per ton and an average copper content of about 29%. This is the most important strike ever made at the Nixon Nevada properties. Development work has been retarded by the excessive flow of water but this phase is now being handled so successfully that ore is being taken out and reserves blocked out regularly.

OSCEOLA CONSOLIDATED—Report for 1917—Report of this company for 1917 shows net of $1,175,531, or $12.22 a share, against $2,776,159, or $28.87 in previous year. In 1915 share profits were $16.75. Production amounted to 16,084,958 lbs. copper, against 19,586,501 lbs. in 1916. Cost of production was 13.49 cents a lb., against 11.69 cents in 1916, and 10.03 cents in 1915.

SHATTUCK ARIZONA—February Production—In February produced 854,042 lbs. of copper, 66,765 lbs. of lead, 6,590 ozs. of silver and 72.63 ozs. of gold. In January the output was 849,440 lbs. of copper, 84,000 lbs. of lead, 9,599 ozs. of silver and 105.86 ozs. of gold, and in December it amounted to 626,612 lbs. of copper, 47,556 lbs. of lead, 5,817 ozs. of silver and 85.97 ozs. of gold. In February of last year the company turned out 1,402,853 lbs. of copper, 359,485 lbs. of lead, 20,514 ozs. of silver and 206.74 ozs. of gold. For the two months ended with February the production was 1,703,482 lbs. of copper, 150,765 lbs. of lead, 16,189 ozs. of silver and 178.49 ozs. of gold.

U. S. SMELTING—Operating at a Profit—For the first time the coal properties of the company are being operated at a profit; and it is stated that these properties will show a profit of $2,000,000 in the current year. The mines are now producing 120,000 tons of coal a month, and the production is expected to show an increase as the year advances.

UNLISTED SECURITIES

Procter & Gamble—A Soap Gold Mine

Properties and Plants—Growth of the Business—"Ivory Soap" —Earnings and Dividends—An Opinion of Its Securities

By LOUIS GALVIN

THE name of the Procter & Gamble Co., manufacturers of "Ivory Soap," has long been a household by-word throughout the United States especially in those homes where cleanliness is next to godliness. It will now become better known in a financial way, as The Procter & Gamble Co. has recently offered through a syndicate, the managers of which are the Guaranty Trust Co., the National City Company, and the first National Bank, $25,000,000 7 per cent serial notes.

The company is in the twenty-ninth year of its corporate existence, having been incorporated in 1890 to take over the business of the firm of Procter & Gamble, organized in 1837. It was reincorporated in 1905 under the laws of the State of Ohio. In 1910 the company purchased the soap manufacturing plant of D. S. Brown & Co. of New York City. Its plants are located at Ivorydale, Ohio; Kansas City, Kansas; Macon, Georgia; Port Ivory, Staten Island, New York, and Hamilton, Canada. The Buckeye Cotton Oil Co., which is controlled by the Procter & Gamble Co., owns twelve cotton-seed oil mills throughout the South. The Company also controls the Procter & Gamble Transportation Company with $350,000 of capital stock and the Procter & Gamble Manufacturing Company with a capital stock of $1,000,000. The latter company was incorporated on May 23, 1910, in the State of Ohio, to take over the manufacturing business outside of Ohio. In October, 1914, the Procter & Gamble Co. purchased the good will and trade-marks of James Pyle & Sons, manufacturer of Pearline.

There is outstanding $2,250,000, 8 per cent cumulative preferred and $14,598,468 of common stock. It is expected that the company will issue $8,401,536 of its unissued common stock in the form of annual stock dividends of 4 per cent, the dividends to be declared as soon as practicable after June 30, at the close of each fiscal year.

Doing Large Business

The Procter & Gamble Co. is one of the big industrials of the country in point of sales. Its volume of business for the 12 months ended June 30, 1917, exceeded $128,000,000 and net was above $7,000,000.

The exact figures of gross and net for the past five years follow:

Year ended:	Gross	Net
June 30, 1913........	$55,913,796	$3,831,111
June 30, 1914........	65,822,080	4,247,706
June 30, 1915........	70,790,906	4,835,992
June 30, 1916........	88,113,507	6,216,054
June 30, 1917........	128,549,649	7,216,054

The company is a big producer both in a financial sense and in the magnitude of its operations. It is probably not generally appreciated that this company is the largest soap manufacturer in the world.

Procter & Gamble, although widely known as the makers of "Ivory Soap" which has never had a real competitor, has two other makes of soap which are widely sold. Its "Lenox" soap is understood to represent a larger actual output than even the better known Ivory. In addition profits have been greatly swelled in recent years through perfection of a substitute for lard made from cotton-seed oil. This product sells under the well-known trade mark of "Crisco," and its success has been phenomenal.

Earnings

Earnings on the preferred have been exceedingly large and on the common the average for the last five years has been nearly 40 per cent. The company has been exceedingly liberal with its common stock holders. It paid 8 per cent, in 1891, 12 per cent 1892 to 1897, inclusive, 20 per cent 1901 to 1912, 16 per cent 1913

to 1916 and 20 per cent in 1917. Extra cash dividends of 14 per cent in 1904 and 25 per cent in 1905 and stock dividends of 4 per cent each year since 1913 have also been paid.

The earnings and dividend disbursements in recent years have been as follows:

Year ended June,	Earned on Common	Cash pd. on Com.	Pd. in Stock on Com.
1913	29.11%	16%	4%
1914	31.34	16	4
1915	34.49	16	4
1916	43.00	16	4
1917	48.99	20	4

It is stated that the net profits available for dividends after ample deductions for depreciation, reserves, etc., for the first seven months of the current fiscal year to January 31, 1918, have been substantially in excess of the net profits for the corresponding period last year.

Outlook

There is no question that the Procter & Gamble preferred and common are entitled to a high rating as investment stocks. This company has been a veritable gold mine. That it will be able to keep up or even increase its business and earnings can hardly be doubted. It is now producing 39 per cent of the hydrogenated lard substitutes, and about 40 per cent of the glycerine of the country. Under present conditions, increased production of these food products and glycerine, a necessary ingredient of explosives, is a national necessity. Both classes of stocks are so closely held, however, that the prices which have to be paid for them do not make their dividend rate very attractive as compared with other issues. The preferred selling at 175 hardly yields 5 per cent and common at 600 yields only 4. It seems that the new issue of $25,000,000 serial bonds maturing from one to five years and yielding nearly 8 per cent should be about the most attractive investment among the securities of this company.

THE PROCTER & GAMBLE CO—1917 BALANCE SHEET

Assets		
Fixed Assets:		
Real Estate, Buildings, Machinery, Plant and Equipment	$17,386,647	
Goodwill, Patents, Licenses, etc	2,883,055	
		$20,269,702
Current Assets:		
Stock of Merchandise and Materials	$32,316,261	
Debtors and Bills Receivable	5,345,031	
Investments	996,988	
Loans Against Security	1,660,973	
Cash	2,117,769	
		$42,437,022
Deferred Charges Against Profits		161,906
		$62,868,630
Liabilities		
Capital Liabilities:		
Common Stock	$14,037,384	
Preferred Stock	2,315,000	
		$16,352,384
5% Gold Notes, Due October 1, 1917, 1918, 1919		7,500,000
Current Liabilities:		
Bills and Accounts Payable		4,726,567
Reserves:		
For Depreciation of Buildings, Plant, Machinery, etc	$6,243,753	
General	3,476,035	
		9,719,788
Surplus or Undivided Profits		24,569,891
		$62,868,630

American Shipbuilding's Renaissance

World Demand for Ships—Company's Decline and Rise—Earnings and Dividends—Status of Stock

By A. SHUKRI

"SHIPS, ships, and more ships," said Lloyd George addressing a deputation of labor men. "The whole question," he said, "is a question of speed; speed of quantity of production."

That the shortage of shipping is the most vital factor in the present situation and that the building of merchant vessels is of the utmost importance is now taken for granted. It has been correctly stated that however large and powerful an army the United States may train, it may be rendered absolutely useless as an addition to the fighting forces against Germany if there are no ships to transport it except at the cost of stopping the flow of vital necessities to the present armies.

War Booms Shipbuilding

It is an interesting fact that until very recently the American investor has taken little or no interest in shipbuilding securities. Owing probably to inability to meet the competition on the other side of the Atlantic on account of higher costs and more exacting labor demands, ship building in the United States has not been as successful as other industries. It is only with the impetus caused by the war that there has been a disposition on the part of investors to inquire into the nature of shipping securities. The frequent accounts in press of unusual profits being made from the sale of steamers sold before the hull has made its initial entry into the water have fired the imagination of speculators and investors alike.

Although there are at present more than a dozen ship building yards in this country the stock of most of the older companies is closely held. The American Shipbuilding Co., which we are to discuss briefly, appears to be one of the few shipbuilding companies the stock of which is pretty generally held and traded in by the public.

A Nineteen Year Old Concern

This company was organized 19 years ago, consolidating the following shipbuilding and drydock companies located on the Great Lakes: Globe Iron Works & Ship Owners' Dry Dock Co., Cleveland, Ohio; Chicago Shipbuilding Co., Chicago; American Steel Barge Co., West Superior, Wis.; Milwaukee Dry Dock Co., Milwaukee, Wis.; Detroit Dry Dock Co., Detroit, Mich.; Cleveland Shipbuilding Co., Lorain, Ohio. The plants and drydocks of the Shipowners' Dry Dock Co. of Chicago and the Buffalo and Union Dry Docks of Buffalo have been purchased and are now being operated by the company.

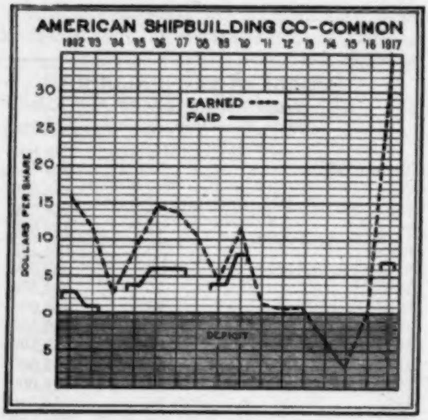
The business career of the American

AMERICAN SHIPBUILDING
Years Ended June 30—

Vessels Built	Vessels Built No.	Carrying Capacity Net Tons
1902	41	198,500
1903	29	166,000
1904	36	206,000
1905	20	164,400
1906	30	261,500
1907	25	234,000
1908	23	168,000
1909	10	60,500
1910	23	153,500
1911	22	54,000
1912	12	26,000
1913	14	50,800
1914	16	83,100
1915	1	10,000
1916	4	37,000
1917	31	160,000

Shipbuilding Co. at the outset was fairly satisfactory. Average earnings on the common stock for seven years from 1902 to 1908, inclusive, were well over 10%. In the latter year the company received a severe shock. In consequence of an act of the Canadian Government, which became operative on July 1, 1908, imposing a duty of 25% on all repairs done to Canadian vessels in the United States, the Canadian business of the company fell off practically altogether. The result was that earnings dropped each year so that the average earnings for the next eight years were less than 1%. It was then found to be imperative to have a dry dock and shipbuilding plant in Canada. Accordingly the com-

pany secured a factory site and agreement with the city of Port Arthur, Ontario, and the Dominion Government of Canada, to establish the largest shipbuilding and dry dock plant in the Dominion, and in 1911 there were completed and placed in operation a 700-foot dry dock, building berth, etc., at that city. Title to the Canadian plant is held by the Western Dry Dock & Shipbuilding Co., Ltd., 90 per cent. of whose stock is owned by the American Shipbuilding Co. The Canadian Government has undertaken to pay the Canadian Co. each year for 20 years, after the first year of operation, the sum of $35,641, being 3% on $1,188,050, the cost of the plant.



In addition to this the sum of $25,000 per annum will be paid for ten years by the city of Port Arthur, provided the company employs 300 men yearly, and pro rata in the event of number of men employed falling below this number. In spite of these favorable conditions, however, the company does not seem to have recovered, and as shown in the table herewith.

Dividends

Dividends on the preferred stock of $7,900,000 were paid at the rate of 7% from the organization of the company to 1914 when the rate was reduced to 3½%. Dividends were suspended the next year on account of deficit in both years. They were resumed in 1916 and continued to date. Dividend disbursements on the common stock of $7,600,000 have been very irregular and apparently arbitrary. In 1902 15½% was earned, none paid, in 1903 11½% earned 3% paid, in 1905 8½% earned, none paid, in 1910 11½% earned 4% paid; in 1911, however, when 1% was earned, the company thought it advisable to pay 8% and then suspended dividends on the common until 1917.

The business of this company showed a sharp recovery in 1917 and after very liberal charges for depreciation and reserve, earnings on the common stock were over 34%, the largest in its history, in fact more than the combined earnings of the preceding ten years. The financial position of the company also was vastly strengthened. The working capital was increased from $1,700,000 to $11,300,000; cash in hand in 1917 was over $8,000,000 as against $600,000 in 1916; and the surplus was nearly doubled.

Outlook

American Shipbuilding common selling around 99 (par $100) appears to be worth it. Shipbuilding companies will be the most active of our industrial groups during and for several years after the war. The necessity of making up the large destruction of shipping since the beginning of the World War and of building a stated amount of new tonnage each year to keep pace with the growth of world trade and steamship obsolescence will keep the shipbuilding plants more than busy for years to come. The dependence of European nations upon our construction facilities, raw materials and even labor has been steadily growing. Great Britain for the first time in steamship history has invoked the assistance of the American shipbuilder.

While prior to the European war the annual construction of vessels in the United States amounted to less than 10% of the world's production, so great has been the progress of the last two years that figures compiled by the Bureau of Navigation indicate that American tonnage constructed during the year was double that of 1912 and about 30% of the world's total for the year. The great impetus added to American Shipbuilding by the war is shown in increased profits for all companies. That the American Shipbuilding Co. will have its full share of these and prospective profits is indicated by its earnings during the course of the preceding year.

Unlisted Security Notes

These notes are a record of recent price-affecting FACTORS, and are not to be regarded as RECOMMENDATIONS to purchase or sell.

AETNA EXPLOSIVES — Readjustment Managers—J. & W. Seligman & Co. consented to act as readjustment managers under a plan and agreement of readjustment dated March 14, 1918. The bondholders' protective committees approved the plan and agreement of readjustment of the company, and urge the deposit by all holders of the bonds and preferred and common stock under said plan and agreement of readjustment as promptly as may be. The Seligman plan for the "readjustment" of the finances proposes the issuance of the same amount of securities as are now outstanding—$2,200,000 bonds, $5,495,000 preferred and 630,000 shares of common. The new bonds run for ten years and carry 6 per cent interest. The plan provides for the creation of a sinking fund for the new bonds amounting to 50 per cent of the net earnings, resulting in the retirement of all bonds in two years.

BLISS (E. W.)—Extra Dividend—This company declared the regular quarterly dividend of 1¼ per cent and an extra of 11¼ per cent on its common stock; also the regular quarterly dividend of 2 per cent on its preferred stock, all payable April 1.

EVERETT, HEANEY—Profits for 1917—This company in 1917 earned net profits of $683,739, against $544,545 in 1916. This earning power, which is before war taxes, is equivalent to 34.18 per cent on the $2,000,000 capital stock outstanding, compared with 27.22 per cent in 1916. After setting aside a reserve of $219,019 for taxes and providing for a 10 per cent dividend a surplus of $264,719 was carried to the profit and loss account. Sales in 1917 were $7,151,468 compared with $4,890,596 in 1916, an increase of $2,260,872, or 46 per cent.

FEDERAL MOTOR TRUCK—Profits in 1917—Federal Motor Truck reports net profits for year of $456,824, after deducting $225,000 as a reserve for excess profits tax. The company has $1,000,000 capital stock outstanding. Total sales for the year were $6,005,246. The company had profit and loss surplus of $698,993.

KELSEY WHEEL—Net Profits in 1917—Company reports net of $1,040,255 for year 1917, against $858,639 net profits for 1916. Preferred dividend disbursements amounted to $210,000. Profit and loss surplus was $1,484,674.

MILLIKEN BROS.—Two More Disbursements Expected—Two more disbursements of $10 a share on preferred of Milliken Bros. (in liquidation) can be expected according to one of the trustees in dissolution. Payments aggregating 40% have been made on the preferred and another one will be declared at the next meeting of the trustees.

OTIS ELEVATOR—Earnings in 1917—Otis Elevator gross and net have broken into new high ground in 1917. The company handled a total gross business of $24,000,000, which is $6,000,000 to $7,000,000 above what might be termed a normal average and practically double the sales of the 1915 year, which was a poor one for Otis. Net profits may be expected to show a balance after interest of $1,700,000, an increase of between 65% and 70% over the 1916 net of $1,036,588. This balance will mean a net for the $6,371,000 common of close to 20%, against 5% being paid in dividends. Otis Elevator is doing a volume of business disproportionate to its fixed capital. The company has a net working capital which is larger by 20% than two years ago. In ordinary times its working capital would be ample for all needs.

WORTHINGTON PUMP & MACHINERY—Working Capital—Current assets of the corporation on Dec. 31, 1917, were $14,500,000, which would allow for liquidation of the preferred "A" stock at par and preferred "B" at approximately $85 per share, a valuation well in excess of the present market quotation.

WRIGHT-MARTIN AIRCRAFT—Earned $400,000 Net in Last Three Months—In the last three months Wright-Martin has been showing some actual net profits. During this period net profits amounted to not far from $400,000. In February output of the Hispano-Suiza motors was at the rate of 10 each working day. March production will be considerably greater The company is producing Hispano-Suiza motors of 150 horsepower type at the rate of 10 a day. Profits on these motors, which have recently been delivered to the Government, were extremely satisfactory, after allowing for current operating expense and current overhead. Production henceforth is expected to show a steady increase, not only on the balance of the 3,000 Government order for 150 horsepower motors, but on the larger motors which the company is getting ready to produce. Total motor orders on the company's books aggregated $50,000,000. The company has heretofore not been in position to take contracts for complete aeroplanes, but is now understood to be negotiating for approximately 25 complete machines, which will be turned out at its Pacific Coast plant. The corporation, it is stated, has over $1,000,000 in cash in its treasury, about $2,500,000 in inventories and work in progress, and its plant valuation is approximately $2,500,000, a total of $6,000,000 in plant, material and quick assets, as against $5,000,000 par value of preferred stock and 1,000,000 shares of common of no par value. At around 50 for the preferred, these assets have a market appraisal of only $3,000,000. The preferred which is 7% cumulative, will have two full year's dividends accrued this fall.

TOPICS FOR TRADERS

Right and Wrong Methods of Investment and Speculation

X—The Impracticability of Operating on "the News"

By RICHARD D. WYCKOFF

INVESTORS and speculators in securities may be divided into three classes:

1. Those who operate on what they hear. 2. Those who work on facts. 3. Those who base their commitments on supply and demand.

Class One is largely made up of the great percentage of unsuccessful speculators. These people come down to Wall Street hoping to get something for nothing; they are hungry for tips; they listen to every rumor; and they are strong for "inside information."

There are two kinds of news: Known and unknown. Known news is what we find on news slips, news tickers, in newspapers and the usual run of market letters. Everything that has happened and has been told comes under the head of known news, because it is public property the moment it is printed in Wall Street. News known to everybody is, except in rare cases, of little use to anybody. Yet the great public thirsts for news, talks news and trades on news.

Unknown news consists of important facts in possession of a few insiders. This is what distinguishes the insider from the public. He knows what is unknown to everybody in general.

The Insider's Advantage

The insider works with an incalculable advantage. Reports of earnings, probability of reduced or increased dividends, etc., must be known to one person, or a few, some minutes, hours, days or weeks before public announcement can be made. This time of announcement is very often governed by market conditions at the time, as well as by the position of the insiders. That is to say: In practically every stock there is a pool, or a group of insiders or at least one person who "looks after" its market. And this inside interest is naturally in a position to act first upon whatever developments occur or are forecasted in the affairs of that corporation.

It is a well known fact that the high point in the movement of stocks is usually recorded when some very favorable earnings, an increased dividend or other happening is officially announced. This is because those connected with the company or handling its stock, being previously aware of the coming announcement, have accumulated some of it while the price was comparatively low. Then as the day approaches for the publication of the news, the supply of stock is reduced and the demand increased so that the price can be made "attractive" to that part of the public which buys only on advances.

A friend of the President of a large corporation whose stock is listed on the Stock Exchange once asked, "Has your annual statement been published?"

"No, not yet," said that official. "I told them to make it look as rotten as they could. We want to buy some more of the common."

The friend remarked, "What show has the outsider who operates the news?"

Those who trade on the news which is known are simply playing into the insider's hands. He does what you would probably do if you were in his place. During the interval between his receiving and announcing the news, he telephones his broker and gives his order. This takes but a moment. If he is a big enough factor, some manipulation may accompany his buying or selling; but whether his operations are large or small, there is usually a coterie of associates who act upon his information.

Each of the persons composing this group has his own broker, and each broker his own clientele. It is customary for a broker who sees inside orders coming through to advise certain of his clients in accordance therewith, without necessarily

disclosing the names of the buyers. For example: The broker will say, "Now, Jones, I want you to buy some of this stock. I can't tell you what I know, but there is excellent buying going on, and if you will take on a little, I believe you will make some money." This sort of buying, following upon that of the first purchasers', thus becomes the power behind a movement which may attain large proportions before public announcement is made—when the unknown news becomes known news.

Insiders Often Wrong

However desirable this unknown news or "inside information" may be, getting it from its original sources is beyond the reach of the average trader. And even if he had "underground" connections with every important source of information in the Street, there would be no certainty that he could always profit thereby. Insiders are often completely surprised and suffer heavy losses on account of an adverse trend of the market, some other and more effective news, an accident or the operations of opposing speculative pools.

One clique may possess a bit of knowledge which, in their opinion, will produce a certain market effect; another group may command greater resources, swing larger lots, diffuse more effective "information." Group One may, therefore, find its efforts futile.

How are we to know which to follow were it possible for us to command information from several of the best sources? Large operators never know at what moment unexpected circumstances may force them to alter their plans. Assuming that you were told when to buy, you might not be told when to sell. With their hundreds of thousands of shares involved, are the insiders likely to tell you, so as to save you a loss on your poor little ten, one hundred or five hundred shares, particularly when such telling will give you an advantage that might increase their own loss?

We must also consider the "sentiment" of the Street, which is frequently more powerful than any group of operators. In former years, manipulators could practically dominate the market; but in these days of hundred million dollar issues, and billion dollar capitalizations, everybody is stronger than anybody.

Insiders are not invariably correct. It is an old saying that "inside information" will break any one.

Guessing at the Causes

If you believe in the money making value of the news, buy all the newspapers tonight and compare the views of those who write the financial columns. Remember that the day's fluctuations have been produced by the buying and selling of hundreds of thousands of people all over the world, dealing in lots of from one to fifty thousand shares, each one acting upon his own or another person's judgment. Also, each decision has been arrived at after consideration of circumstances which are seldom regarded with equal weight by any two people. And no two people have the same resources, knowledge, judgment, ability, hope or fear.

Can you not see how impossible it would be for anyone to say authoritatively that the market rose or declined for this or that reason?

To actually do this one would have to assemble in one vast congregation all those who contributed in any degree to the day's transactions, and put each one through a set of questions as to why and how much he bought or sold. The resulting replies would then have to be classified and tabulated. Then, and only then, could a person be justified in making the statement that the market advanced or declined for a certain reason.

If I have now proved to you that no living man can, with real authority, say why *today's* market moved in a certain direction, you must also be fully and finally convinced that ***no one can accurately forecast the future market from the news.*** For to do so he must know definitely in advance what tomorrow's news will be, as well as what effect it will have on the minds of the hundreds of thousands who will thereby be influenced and impelled to act.

Now is the time to call a meeting of your personal board of directors—your faculties—and to resolve that the news as a market guide is strictly Grade B.

In the next issue Mr. Wyckoff will show the disadvantages of operating on facts and fundamental factors.

Tidal Swings of the Stock Market

Part X—Following the Trend—Reactions and Rallies—Construction of Price Graphs

By SCRIBNER BROWNE

Author of "How to Read the Financial Page," Etc.

WE have seen that the upward or downward "leg" of a tidal swing usually lasts from one to two years—the entire period, from the low point of one swing to the low point of the next, or from the high point of one to the high point of the next, being usually three or four years.

Therefore, the investor who endeavors to buy after the down swing has ended and to sell after the upward movement has culminated will change his position only once in about one and three-quarter years on the average. This requires a good deal more patience than the ordinary investor has. So nearly everybody who is interested in the markets tries to "follow the trend" while the swing is in progress—buying on reactions during the upward move or selling on rallies during the down swing.

It is a question whether the average investor, whose business life lasts perhaps thirty years, would not get better results in the end by waiting patiently for what he believes to be the end of the swing before changing his position. But since, as a matter of fact, very few are willing to do that, it is essential to discuss the best methods of following the trend while a swing is in progress.

It may be mentioned in passing that the word "trend" is a more or less comparative term. For example, notice the year 1906 on the graph herewith. The downward tidal swing began with January of that year, so that the downward trend, as I am using the word, prevailed throughout the year. But an operator who was trying to follow the more immediate speculative fluctuations would identify an upward trend from July to October, 1906.

Extent of Reactions and Rallies

Taking the term trend to mean the direction of the tidal swing, we note from the diagram that out of four complete bull markets shown three were interrupted, at about the middle of their course, by a reaction extending to more than ten points for the average used. The fourth, that from November, 1907, to August, 1909, did not show a single reaction of ten points. The exact extent of the four principal reactions in this last movement, as measured by twenty rails, was as follows:

	Points
Jan. 18 to Feb. 17, 1908	9.71
May 18 to June 22, 1908	6.49
Sept. 29 to Sept. 22, 1908	6.90
Jan. 2 to Feb. 23, 1909	7.03

In the five bear markets shown there is only one instance of a rally extending to ten points—that in the last half of 1906. But every bear market has been interrupted by one or more rallies of about five points. This corresponds with our previous observation that bear markets are usually shorter and sharper than bull markets. The reasons for this have been explained.

One important point to be noted is that *a reaction of five points or more occurred near the beginning of every bull market.* It is on this customary reaction that the investor generally has his best and safest buying opportunity.

On the other hand, it is evidently *not* safe for the investor to wait for an important rally after he believes a bull market has culminated. This is a very common mistake.

The average investor will not be able to estimate the probable extent of any reaction or rally which may occur in the course of a main swing. His attempts to do so are likely to be little better than guess work.

It will be noted, also, that during these sixteen years *no extended reaction occurred in any bull market until the movement had been in progress for at least a year.*

Conclusion

It would be useless to attempt to lay down any hard and fast rules for the investor who endeavors to join in the trend after a swing is well under way. He can see for himself, by examining the graph,

what his chances are—and it may be added that he would not be materially helped by extending the examination to years previous to those shown. The last decade is a better guide than any previous decade because there is always a gradual change in the general conditions surrounding the market.

The following suggestions, however, may be useful:

(1) During the first year of a bull market, or at any time in a bear market, probabilities do not favor a reaction or rally of more than five points in the averages.

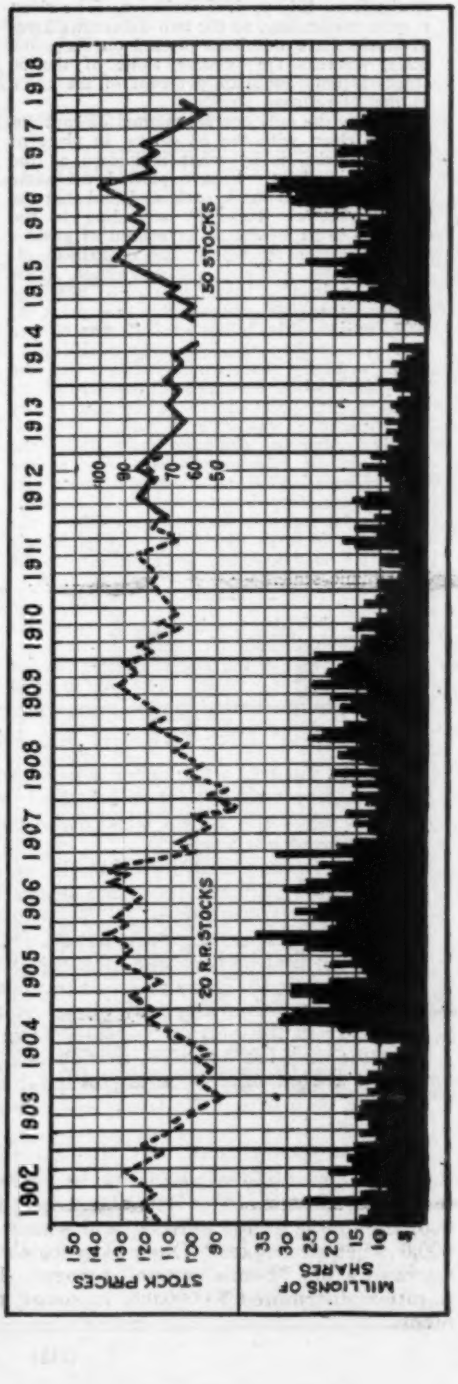
(2) In the second year of a bull market, probabilities favor a reaction of ten points or more, followed by an advance to a new high point. This is due to increased public participation in the market, so that a greater proportion of the supply of stocks is in "weak hands."

In connection with the graph of the swings of the market which accompanies this article and has been used several times with other chapters, the question has doubtless occurred to many readers whether the change from 20 railroad stocks to 50 railroad and industrial stocks, with the necessary shifting of the scale, does not seriously interfere with the continuity of the graph and perhaps give a misleading impression of the general course of the market. From time to time, also, some one writes us that we ought to use the "logarithmic scale" for these graphs. The practical effect of this would be to widen the fluctuations of the 50 stocks as compared with those of the 20 stocks, so that the low point of 1914 (while the stock exchange was open—we have no means of knowing how low the market would have gone if the exchange had remained open throughout the war panic) would have been the same as the low of 1903, while the high point of 1916 would have been considerably above the highs of 1906 and 1909.

This is a somewhat technical point and has no important bearing on the principles discussed in these articles, but for the benefit of those interested I add a letter received from a prominent civil engineer and my reply thereto.

Editor of The Magazine of Wall Street:

There has appeared in several recent numbers of your magazine, a chart showing prices of 20 railroad stocks from 1902 to 1912 and 50



stocks from 1913 to 1917 inclusive. The chart is quite misleading, as the two different classes of stocks have not been plotted on the same scale, whereas the relative value of the 50 stocks is only about 67 per cent of the value of the 20 railroad stocks.

Possibly the only correct method of continuing the chart with the 50 stocks, in place of the 20 stocks, is by what is known as the logarithmic chart. I have plotted the same stocks on a logarithmic scale and find that the bull market of 1908-1909, according to the ordinary chart, seems to have been of greater magnitude than the bull market of 1915-16, although it was really of less magnitude. This is easily proved, as the high point of 1909 was 59 per cent greater than the low point of 1907, and the high point of 1916 was 67 per cent greater than the low point of 1914.

The ordinary chart would indicate that the low point of 1907 was approximately 16 points below the low point of 1914, whereas in reality the difference was only 5 points approximately. Also the ordinary chart shows the high point of 1906 exactly the same as the high point of 1916, although the latter was really about ten points the higher. The logarithmic chart clearly demonstrates this to the eye. The features would be more strikingly illustrated if your chart were plotted on the logarithmic scale. T. W.

We have read your letter with much interest. The logarithmic scale is admirably adapted to most of the graphs constructed for ordinary business purposes. The gain in gross business of a company, for example, is most accurately shown as the per cent of gain over the previous year, and the same is true of nearly all graphs where quantities are concerned. The reason we do not use it for such figures is that the logarithmic graph is not readily understood by the non-mathematical reader, and unless changes are very wide the difference in the two methods is usually unimportant.

We are inclined to doubt, however, whether the logarithmic scale is properly used in showing price fluctuations of stocks. It is far from being true that a stock selling around 100 fluctuates four times as widely as one selling around 25. For example, compare Atchison common with Erie common, or General Electric with International Paper. The width of fluctuations depends to some extent upon whether the price is high or low, but it also depends upon a great variety of other considerations.

It seems to us, also, that our graphs of price averages are more trulv representative of actual conditions than yours. Before 1912 the railroad stocks give the best idea of the general swing of the market. Since then the industrials have become a more important factor, but industrials naturally fluctuate more widely than rails in proportion to their price level. Hence, to make the average of 50 stocks fairly comparable with 20 rails, the last part of the graph should, in our opinion, be based on the lower price-scale rather than on the logarithmic scale.

(To be continued.)

LET MR. BARUCH BE SAVED FROM HIS FRIENDS

Mr. Baruch, who has just been appointed director of the War Industries Board, may well appeal to be saved from his friends, and also from his press agents, especially Ralph Block, who contributed a fulsome piece about him to the *Tribune* last week.

Mr. Baruch may have bought many things for the Government very advantageously indeed, but some things he has not. However, nobody expects to obtain perfect batting.

Nevertheless, Mr. Baruch may feel properly mortified over the claim in his behalf that he persuaded the copper producers to sell him 45,000,000 pounds of copper at 16⅔ cents when the market price was 35 cents, for Mr. Baruch knows better than anybody else, first that the aforesaid supply of copper resulted from the patriotic offer of John D. Ryan, on behalf of the copper producers; and, furthermore, that the major market for copper was not 35 cents either at that time, or at any other time; and, finally, that the producers were willing then to sell the Government copper at 25 cents as an ordinary business transaction.

Nor do we think that Mr. Baruch would claim that months ago he saw scarcity in platinum looming up ahead and induced two platinum merchants to bring over 21,000 ounces from Russia. The true story of this platinum importation is to be found in the Bulletin of the Mining and Metallurgical Society of America for January, 1918. Mr. Block would have done better had he consulted this, rather than listen so long to fairy tales in Washington.—*Engineering and Mining Journal.*

American Telephone & Telegraph's Decline

Some of the Reasons for Its Recent Downward Movement—Outlook for This Great Utility

By THOS. L. SEXSMITH

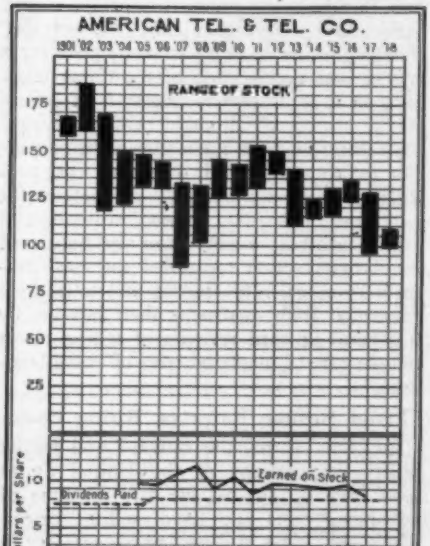
When a stock begins to break sharply in an otherwise steady market, there is generally one of two good and sufficient reasons contributing to its action. Either there is something radically wrong in the affairs of the company, or the pool or pools, operating in its stock find themselves in difficulties and are getting out from under as best they can. A break running a day or two is apt to occur in any of the active issues for no better reason than because hard pressed bears, looking around for something vulnerable to pound in the hope of starting real liquidation, concentrate their selling for the time being on some one stock. In that case the decline is likely to be inconsiderable, and a subsequent rally is quite certain to regain all the lost ground.

But a decline which extends from day to day, while the rest of the market holds its ground or actually advances, is quite another matter. Rest assured there are good reasons for it. Holders of the stock of the American Telephone & Telegraph Company are doubtless anxious to ascertain the reasons behind the continued declining tendency exhibited by this stock in recent markets. It is the purpose of this article to deal with some of these reasons, and as far as possible to look into the future market prospect for the stock.

When the market was at its worst, along in the latter days of last December, Telephone sold down to 95¾. That price was not far above its record low, since the exchange of stock between the former holding company, the American Bell Telephone Company, and American Telephone & Telegraph took place in 1900. Its low price in the November panic of 1907 was 88. From that low, which contrasted with its record high price, made in 1902, of 186, it had advanced by 1911, to 153⅛. The greater part of this recovery was again lost in 1913, when Telephone declined to 110. The following three years developed a somewhat halting tendency to advance, with high for the movement in the fall of 1916, at 143½. The decline, during practically the whole of 1917, is of such recent occurrence as to be familiar to all.

Declining Tendency Well Defined

Taking a broad view of the market action of this stock one must be impressed



with the plainly marked tendency towards decline which has been in evidence since the making of the record high price in 1902. The first graph, which shows the yearly price record for the last seventeen years, also per cent. earned on stock and dividends paid, discloses the presence of this reactionary tendency in a conclusive manner. The decline of nearly

100 points from the high of 1902 to the low of 1907 was interrupted by but one impressive rally. Then, the high of 1911 was nearly 33 points below the earlier high, while that of 1916 was well below that of 1911.

It must be remembered, also, that the stock market as a whole established the highest range of prices during 1916 of any year in its history. While railroad stocks, at their highest, on average, in 1916 were some twenty points below their best of former years, industrials as a group went up amazingly, reaching a high many points above the highest records of other years. It would appear, from the somewhat similiar performances of the railroad stocks as a whole, and Telephone & Telegraph, that similiar causes were operating in each case.

For several years we have been in a period of advancing commodity prices, higher labor costs and higher rates for capital. The beginning of the war was signal for a tremendous acceleration of the rising tendency in these three fundamentals of industry. Concerns which could rapidly advance the selling price of their output, in proportion to or ahead of their own advancing production costs, were largely gainers by the new conditions. Not so with railroads and public utilities, which from the nature of regulations which controlled the establishment of fares, rates, tariffs and tolls, were prevented from increasing their incomes by a general upward revision of selling prices to take care of increased costs of doing business.

Fixed Income Rates vs. Rising Costs

In other words, the railroad and public utility corporations of the United States have been up against the dire dilemma of advancing costs and fixed selling prices. Their only hope in diverting disaster lay in increasing the volume of business as far as possible without a proportionate increase in outlay. This was, apparently, the course pursued, but, obviously, there were distinctly defined limits to any endeavor along such lines. Economy and increased efficiency will often work wonders, but neither will be apt to prove successful in combatting a fundamentally wrong condition. The recent spectacle of average prices for railroad stocks at the lowest since 1898, while volume of freight carried and gross earnings were both at high record peaks, eloquently proved this to be a fact. What is the result? The government now "controls" the railroads outright, after years of controlling their tariffs, and a period of gradually rising rates is now confidently expected by experienced judges.

How does the present position of Telephone & Telegraph differ from what was only recently that of the railroads? Strictly speaking, this company may not exercise a monopoly on the telephone business of the United States, but for all practical purposes, it certainly does so. Competition of varying degrees of consequence exists in many localities also served by this great corporation, but almost the whole of the long distance business, and by far the bulk of all local service, is carried on under conditions free from all outside competition.

Superficially, it would seem that under such conditions, it would be a comparatively simple matter to raise rates covering a large per cent of its service, whenever the need to do so, or the opportunity to justify such advances, arose. But the fact of the matter is that while the rate fixing policy of this company is not subjected to revision and regulation by the Interstate Commerce Commission, as in the case of the railroads, its control of its own rates for both local and long-distance service is subject to the approval of the various state public service commissions. This control tends quite naturally to a fixity of service rates, regardless of service costs, and is one of the company's severest handicaps.

Decreasing Profits Ratio

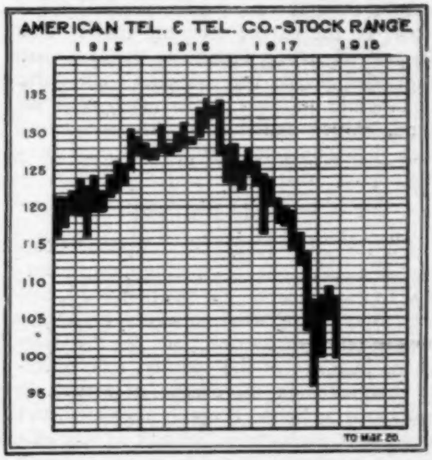
Another and most extraordinary factor working not altogether in the company's favor is the tendency of the profit ratio to decrease as the volume of business expands. For illustration, consider the small exchange operating in a small community serving about one hundred subscribers. Only a simple equipment is required and a small, inexpensive switchboard. No matter what the yearly cost to the individual subscriber may be, possible service is limited to connection with the telephones of the other ninety-nine patrons. In larger communities the possibilities of usage before each subscriber is largely increased, and without a proportionate increase in cost. In New York city there are many

thousands of telephone subscribers. Telephones in daily operation in New York, the majority of which may be reached from any any five-cent coin drop instrument, number approximately three quarters of a million. The cost of equipment and operation of a system which gives so much service for so little money is tremendous. In New York, Chicago and Philadelphia and other large cities the telephone nickel goes a long way in buying service, many times farther than a like sum in smaller places. Yet the average New Yorker, when he receives his telephone bill at the end of the month thinks it a pretty stiff amount to pay for the privilege of talking. He is inclined to envy the fellow in the small town who obtains "unlimited" service for two dollars the month. What he overlooks is that the small town subscriber has the privilege of talking to possibly a thousand people, while a New York telephone is an open line to the ears of a million.

The tendency of increased costs of doing business over a period of years is shown by the figures for per cent. of net income to gross for the entire Bell System in the United States. Gross income for the year 1909 (ending December 31) was $149,914,708. Net income was $38,146,125, or approximately 25½% of gross. This percentage decreased progressively year by year until it was down to 18% in even figures for 1914, increasing to 20% in 1915 and still further to 21% in 1916, but results for the last year, 1917, showed a sharp decline to fractionally above 17%. Gross income for 1917 was $294,894,950, against a net income of $50,714,211. It will be seen from these figures that, in a sense, the more business telephone companies do the less they make. At least this is so with regard to the ratio of net return to the annual turn-over of business. This condition may not be wholly confined to telephone companies, but it is certainly not an ideal situation.

How much of the increased costs may be due to special causes and how much to general causes affecting practically all kinds of business is difficult to arrive at. The most expert accountants would probably disagree in their estimates. During the period of years covered by the figures cited above, wages have risen rapidly in many branches, at least, materials have soared in price, while the most recent financing of the American Telephone Company, $40,000,000 in one-year 6% interest bearing notes, put out the first of the year, cost the company something over 7%. Everything needed by the company in carrying on its business has gone up sharply in price in the last few years, but the same nickel which enabled John Jones at the Battery to talk three minutes with Bill Smith in the Bronx still renders the same service. If there has been any change it is on the side of added efficiency. The nickel now works faster and goes further.

Perhaps the one biggest feature contributing to the narrow margin between the present rate of dividend paid by the company and the per cent. of net earnings for the stock, is the enormous sums used in recent years for additions to plant. The year 1912 was the banner year in additions, up to last year. In the former year $75,626,929 was expended in plant additions. During 1917 the sum of $118,000,000, in round figures, was used for this purpose. War demands on the service were responsible for a large part of this generous outlay. It is quite likely, in consideration of the fact that general business reached the peak of prosperity for the recent movement during the last year, that the record establishment for expenditures in this department in 1917 will stand for some time to come.



A Peace Stock Pre-eminent

Against these several factors which unfavorably affect the earnings of the company from the immediate standpoint of the stockholder, who may well feel that the security of his income from this source may be in danger, there is much to be said of a favorable nature. American Telephone has huge equities in the piled-up surpluses of its subsidiary companies. Its equity in the undivided profits of subsidiaries for the year 1917 alone was equal to 1.66% on its own stock. This would bring total profits for the year up to $10.49 per share, a margin of $2.49 above the annual dividend. This is a much more comfortable margin than the bare $.83 shown by the report of the parent company itself. But the one off-setting feature is the fact that undivided profits are sometimes not quite as tangible an asset as so much cash on hand. Much undivided profits have never been distributed to shareholders, and perhaps never will be.

A Stable Business

On the other hand, the telephone business is a stable one, prospering most in normal times of peace. As has been said, this company enjoys what amounts to a monopoly on at least one class of the telephone business of the country, and entirely dominates in all classes of service in nearly all sections. Properly regulated, and given only such encouragement as any efficiently conducted, privately owned business is entitled to receive, this company should prosper with the prosperity of the people it serves, and suffer, in restricted earnings, only to an equal extent with the whole of the country, when the inevitable depressions occur. It is entitled, in all justice, to charge rates for its service sufficient to return a reasonable interest on the money invested in plant, upkeep and operation.

Under the present status of the company, however, its shares cannot be said to be in a favorable situation from a stock market point of view. Over a long period of years the price trend has been downward. A detail of price movements by months also shows that the trend has been sharply downward for the last year. A line drawn from the top price made in September, 1916 (shown in the graph which gives the monthly highs and lows since the beginning of 1915) to the top of the next month and extended down the graph, will give the pitch of the recent decline, and discloses the fact that no rally which has occurred in fifteen months has developed force enough to penetrate this arbitrary line of descending "tops." The immediate trend of this stock is also downward, and as the technical position of the general market (at the time of writing, March 15) favors a downward rather than an upward movement from present levels, it does not appear that a change in the trend direction is imminent.

In Summary

Summing up, it must be said that American Telephone at the present time has neither the attractiveness of some of the uncontrolled industrials nor of the dividend paying, earnings assured rails. It is not an ideal speculation, even at its present comparatively low price, nor can it be said that its future as an 8% dividend payer is entirely certain. The possibility that the government may at any time decide to take it over is not to be overlooked. The Postmaster General has several times expressed the desirability of government operation of telegraph and telephone lines, and the proposal has been to take complete ownership rather than a plan of control as in the case of the railroads. Government ownership, if it eventually becomes a fact, will certainly not add to the speculative attractiveness of American Telephone. How it would affect the future earning power of the company is perhaps too problematical to discuss at this time. It can be said, however, in the light of the government's generous treatment of railroad shareholders, that owners of Telephone stock have little reason to fear for the security of their holdings, at present prices at least, in the event that government ownership or a fair form of government control is finally determined upon. The return of peace, and the resultant easing of the extraordinary demands now pressing for service extension and maintainance, should also favorably affect the ratio of net to gross earnings of this company.

IMPORTANT DIVIDEND ANNOUNCEMENTS

To Obtain a Dividend Directly from a Company the Stock Must Be Transferred into the Owner's Name Before the Date of the Closing of the Company's Books

Ann. Rate	Name	Last Div'd	Books Close	Payable
	A			
7%	Allis-Chalmers p.....	1¾% Q	*Mar. 30	Apr. 15
....	Allis-Chalmers p acc.	¾%	*Mar. 30	Apr. 15
6%	Amer Agric Chem p.	1½% Q	*Mar. 25	Apr. 15
6%	Amer Agric Chem c.	1½% Q	*Mar. 25	Apr. 15
6%	Amer Bank Note p..	1½% Q	*Mar. 15	Apr. 1
6%	Amer Beet Sugar p..	1½% Q	*Mar. 6	Apr. 1
6%	Amer Gas & Elec p.	1½% Q	*Apr. 18	May 1
7%	Amer Locomotive p.	1¾% Q	*Apr. 5	Apr. 22
7%	Amer Shipbuilding p.	1¾% Q	*Apr. 15	May 1
7%	Amer Type Foun p..	1¾% Q	*Apr. 10	Apr. 15
4%	Amer Type Foun c..	1 % Q	*Apr. 10	Apr. 15
....	Amer Type Foun sc..	2 %	*Apr. 10	Apr. 14
	B			
7%	Barrett Co p........	1¾% Q	*Apr. 1	Apr. 15
	C			
4%	Cambria Iron	2 %SA	*Mar. 15	Apr. 1
7%	Canadian Gen Elec p	3½%SA	*Mar. 15	Apr. 1
8%	Canadian Gen Elec c.	2 % Q	*Mar. 15	Apr. 1
4%	Canadian Pacific p...	2 % S	*Sept. 1	Apr. 1
7%	Cen'l Ark Ry & Lt p.	1¾% Q	*Feb. 15	Apr. 15
5%	Cen'l Coal & Coke p.	1¼% Q	*Mar. 31	Apr. 15
6%	Cen'l Coal & Coke c..	1½% Q	*Mar. 31	Apr. 15
5%	Cen'l Foun Ord p....	1¼% Q	*Mar. 30	Apr. 15
8%	Cen'l Foun 1st p....	2 % Q	*Mar. 30	Apr. 1
6%	Cen'l & So Am Teleg	1½% Q	*Dec. 31	Apr. 1
12%	Chandler Motor Car.	3 % Q	*Mar. 12	Apr. 1
8%	Chic & No West p...	2 % Q	*Mar. 9	Apr. 1
7%	Chic & No West c..	1¾% Q	*Mar. 9	Apr. 1
6%	Cities Service Co p..	½% M	*Mar. 15	Apr. 1
6%	Cities Service Com c.	½% M	*Mar. 15	Apr. 1
9%	Cities Service com ex.†	¾% M	*Mar. 15	Apr. 1
7%	Cluett Peabody p....	1¾% Q	*Mar. 21	Apr. 1
3%	Colo Fuel & Iron com	¾% Q	*Apr. 10	Apr. 25
6%	Col'bus R P & L p A	1½% Q	*Mar. 15	Apr. 1
8%	Consol Gas E L & P c	2 % Q	*Mar. 31	Apr. 1
7%	Continental Can p....	1¾% Q	*Mar. 21	Apr. 1
5%	Continental Can com.	1½% Q	*Mar. 21	Apr. 1
7%	Cuba Cane Sugar p..	1¾% Q	*Mar. 15	Apr. 1
7%	Cuban-Amer Sugar p.	1¾% Q	*Mar. 15	Apr. 1
10%	Cuban-Amer Sugar c.	2½% Q	*Mar. 15	Apr. 1
	D			
6%	Dayton Pwr & Lt p.	1½% Q	*Mar. 20	Apr. 1
2%	Distillers Secur	½% Q	*Apr. 2	Apr. 18
....	Distillers Secur ex..	1½%	*Apr. 2	Apr. 18
7%	Dominion I & Steel p	3½% S	*Mar. 5	Apr. 1
5%	Dominion Steel c....	1¼% Q	*Mar. 5	Apr. 1
7%	Dominion Textile p..	1¾% Q	*Mar. 30	Apr. 15
7%	Dominion Textile c..	1¾% Q	*Mar. 15	Apr. 1
4%	Duluth Superior p...	1 % Q	*Mar. 16	Apr. 1
4%	Duluth Superior c...	1 % Q	*Mar. 16	Apr. 1
6%	DuP E I & Co. d s.	1½% Q	*Apr. 10	Apr. 25
	E			
10%	Eastern Steel Co. c..	2½% Q	*Apr. 1	Apr. 15
6%	Eastman Kodak p....	1½% Q	*Feb. 28	Apr. 1
10%	Eastman Kodak c....	2½% Q	*Feb. 28	Apr. 1
....	Eastman Kodak c x..	7½%	*Feb. 28	Apr. 1
4%	Elec Stor Battery p..	1 % Q	*Mar. 18	Apr. 1
4%	Elec Stor Battery c..	1 % Q	*Mar. 18	Apr. 1
	G			
8%	General Electric	2 % Q	*Mar. 9	Apr. 15
7%	Goodrich (B F) Co. p.	1¾% Q	*Mar. 22	Apr. 1
4%	Goodrich (B F) Co, c	1 % Q	*May 3	May 15
$5	Guantanamo Sug. Co.	$1.25 Q	*Mar. 19	Apr. 1
7%	Gulf States Stl 1 p..	1¾% Q	*Mar. 15	Apr. 1
6%	Gulf States Stl 2 p..	1½% Q	*Mar. 15	Apr. 1
10%	Gulf States Stl c....	2½% Q	*Mar. 15	Apr. 1
	H			
$3	Haskell & Barker...	$0.75 Q	*Mar. 15	Apr. 1
	I			
5%	Illinois Traction p...	1¼% Q	*Mar. 15	Apr. 1
6%	Interb Consol Corp p.	1½% Q	*Mar. 11	Apr. 1
2%	Interb Rap Tran....	5 % Q	*Mar. 20	Apr. 1
5%	Inter Harv of N J c.	1¼% Q	*Mar. 25	Apr. 1
6%	International Salt....	1½% Q	*Mar. 15	Apr. 1
7%	Internat Silver p.....	1¾% Q	*Mar. 18	Apr. 1
7%	Internat Traction 1 p	1¾% Q	*Mar. 30	Apr. 1
4%	Internat Traction p..	1 % Q	*Mar. 30	Apr. 1
	J			
7%	Jewel Tea p........	1¾% Q	*Mar. 20	Apr. 1
	K			
6%	Kelly-Spring Tire p..	1½% Q	*Mar. 16	Apr. 1
7%	Kresge (S S) Co. p.	1¾% Q	*Mar. 15	Apr. 1
	L			
16%	Lehigh Val Coal Sales	4 % Q	*Mar. 21	Apr. 1
10%	Lehigh Valley RR p.	2½% Q	*Mar. 16	Apr. 1
10%	Lehigh Valley RR c.	2½% Q	*Mar. 16	Apr. 1
7%	Liggett & Myers p..	1¾% Q	*Mar. 15	Apr. 1
....	Liggett & Myers c x.	4 %	*Mar. 22	Apr. 1
7%	Loose-Wiles Bis 1 p.	1¾% Q	*Mar. 18	Apr. 1
7%	Lorillard (P) Co. p.	1¾% Q	*Mar. 16	Apr. 1
12%	Lorillard (P) Co. c.	3 % Q	*Mar. 16	Apr. 1
....	Lorillard (P) Co. c x	6 % Q	*Mar. 17	Apr. 2
	M			
4%	Mackay Companies p.	1 % Q	*Mar. 9	Apr. 1
6%	Mackay Companies c.	1½% Q	*Mar. 9	Apr. 1
7%	Manhat Elec Sup 1 p.	1¾% Q	*Mar. 19	Apr. 1
7%	Manhat Elec Sup 2 p.	1¾% Q	*Mar. 19	Apr. 1
4%	Manhat Elec Sup c.	1 % Q	*Mar. 19	Apr. 1
7%	Manhattan Ry	1¾% Q	*Mar. 15	Apr. 1
7%	Manhattan Shirt p..	1¾%	*Mar. 21	Apr. 1
7%	Maxwell Motors 1 p.gg	1¾% Q	*Mar. 15	Apr. 1
7%	May Depart Strs p.	1¾% Q	*Mar. 20	Apr. 1
8%	Mexican Petroleum p.	2 % Q	*Mar. 15	Apr. 1
8%	Mexican Petroleum c.	2 %	*Mar. 15	Apr. 1
2%	Midwest Utilities c.	½% Q	*Mar. 15	Apr. 1
....	Midwest Utilities...	†1 %	*Mar. 15	Apr. 1
7%	Montana Power p...	1¾% Q	*Mar. 12	Apr. 1
5%	Montana Power c...	1¼% Q	*Mar. 12	Apr. 1
7%	Montgomery Ward p.	1¾% Q	*Mar. 20	Apr. 1
	N			
7%	Nat Biscuit c......	1¾% Q	*Mar. 30	Apr. 15
5%	Nat Cloak & Suit c.	1¼% Q	*Apr. 8	Apr. 15
5%	N Y L & West.....	1¼% Q	*Mar. 15	Apr. 1
16%	New York Transit..	4 % Q	*Mar. 23	Apr. 15
4%	New York Transit e.	4 %	*Mar. 23	Apr. 15
8%	Niagara Falls Power.	2 % Q	*Mar. 30	Apr. 15
5%	North American Co.	1¼% Q	*Mar. 21	Apr. 1
	P			
6%	Pacific Tel & Tel p.	1½% Q	*Mar. 31	Apr. 15
10%	Pan-Am. Pet. & Tr c.	2½% Q	*Mar. 15	Apr. 10
8%	Pierce-Arrow Motor p	2 % Q	*Mar. 15	Apr. 1
....	Pittsburgh Pl Glass.	†10 %	*Mar. 10	Apr. 2
$12	Prairie Oil & Gas...	$3.00 Q	*Mar. 20	Apr. 30
....	Prairie Oil & Gas e.	$2.00	*Mar. 20	Apr. 30
	Q			
12%	Quaker Oats c......	3 % Q	*Apr. 1	Apr. 15
....	Quaker Oats com ex.	1 %	*Apr. 1	Apr. 15
	R			
7%	Republic Iron & Stl p	1¾% Q	*Mar. 20	Apr. 1
	S			
7%	Saxon Motor Corp..	Last payment 1¾% pd		Apr. 10
7%	Sears Roebuck Co. p.	1¾% Q	*Mar. 15	Apr. 1
....	Sears Roebuck c e.	25 %	*Mar. 15	Apr. 2
$1	Shattuck Arizona Cop	$0.25 Q	*Mar. 30	Apr. 20
....	Shattuck Arizona e..	$0.25	*Mar. 30	Apr. 20
$5	Stutz M. Car of Am.	$1.25 Q	*Mar. 15	Apr. 1
8%	Swift & Co.........	2 % Q	*Mar. 9	Apr. 1
	T			
7%	Tobacco Prod Corp p.	1¾% Q	*Mar. 19	Apr. 1
12%	Torrington Co c......	3 % Q	*Mar. 22	Apr. 1
....	Torrington Co. c e..	1 % Q	*Mar. 22	Apr. 1
	U			
7%	Underwood Type p..	1¾% Q	*Mar. 15	Apr. 1
6%	Underwood Type c..	1½% Q	*Mar. 15	Apr. 1
4%	Union Pacific p.....	2 % S	*Mar. 9	Apr. 1
10%	Union Pacific c.....	2½% Q	*Mar. 9	Apr. 1
7%	U. S. Indus Alco p.	1¾% Q	*Mar. 30	Apr. 15
	W			
....	West'house Air Bke.	†20 %	*Mar. 25	Apr. 21
7%	Willys-Overland p...	1¾% Q	*Mar. 20	Apr. 1
....	Willys-Overland c ex.	†5 %	*Mar. 15	Apr. 2

*Dividend payable to stockholders of record of this date.

†Payable in common stock.

gg Payable in scrip.

DIVIDEND NOTICES

AMERICAN TELEPHONE AND TELEGRAPH COMPANY

A dividend of Two Dollars per share will be paid on Monday, April 15, 1918, to stockholders of record at the close of business on Friday, March 15, 1918.

On account of the annual meeting, the transfer books will be closed from Saturday, March 16, to Tuesday, March 26, 1918, both days included.

G. D. MILNE, Treasurer.

DISTILLERS SECURITIES CORPORATION.

April 1st, 1918, coupons from Bonds of this Corporation will be paid on and after April 1st, 1918, on presentation at Bankers Trust Company, Wall, corner of Nassau St., New York City.

THOS. A. CLARK, Treasurer.

DISTILLERS SECURITIES CORPORATION.

40 Exchange Place, New York, N. Y.

The Board of Directors has this day declared a regular dividend of one-half of one per cent. (½ of 1%) and an extra dividend of one and one-half per cent. (1½%) for the first quarter of the year 1918, upon the outstanding capital stock, payable April 18, 1918, to stockholders of record at the close of business April 2, 1918.

The stock transfer books will not be closed.

THOS. A. CLARK, Treasurer.

Dated New York, N. Y., February 13, 1918.

DIVIDEND NOTICES

INSPIRATION CONSOLIDATED COPPER CO.

NOTICE OF ANNUAL MEETING.

Notice is hereby given, that the Annual Meeting of the Stockholders of the Inspiration Consolidated Copper Company will be held at the office of the Company, 242 Water Street, Augusta, Maine, on Monday, the twenty-second day of April, 1918, at two o'clock P. M., for the transaction of any and all business that may come before the meeting, including the election of directors.

The transfer books will not be closed but only those stockholders of record at the close of business, viz. (three o'clock P. M.), on Friday, April 5th, 1918, will be entitled to vote at said meeting.

By order of the Board of Directors.

J. W. ALLEN, Secretary.

SHATTUCK ARIZONA COPPER CO.

120 Broadway, New York City.

The Board of Directors of Shattuck Arizona Copper Company has this day declared a dividend of Twenty-Five (25c.) cents per share, and a capital distribution of Twenty-Five (25c.) cents per share, payable April 20th, 1918, to stockholders of record at the close of business March 30th, 1918. Stock Transfer Books do not close.

NORMAN E. La MOND, Ass't Secretary.

February 19th, 1918.

Office of

FEDERAL MINING & SMELTING COMPANY.

32 Broadway, New York City, March 16, 1918.

The annual meeting of the stockholders of the Federal Mining & Smelting Company, for the election of Directors and the transaction of any business which may lawfully come before the meeting, will be held on Monday, April 8, 1918, at the office of the company, 32 Broadway, New York City, at 3 o'clock in the afternoon.

The stock transfer books do not close, but stockholders of record at the close of business on March 18, 1918, shall have power to vote.

GEO. W. PETERSEN, Secretary.

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THE MAGAZINE OF WALL STREET, Richard D. Wyckoff, Editor; Barnard Powers, Managing Editor; G. C. Selden, Associate Editor. Single copies are for sale on news stands throughout the United States and Canada. Price, 25 cents per copy. If your newsdealer is not supplied, place a standing order with him and he will secure copies for you regularly. Entered as second-class matter at Post Office, New York, N. Y. Published every other Saturday.

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J. R. Bridgeford & Company, 111 Broadway, New York, are offering an issue of First Mortgage 5% Gold Bonds of the Macon, Dublin & Savannah R. R. Co. These bonds are guaranteed principal and interest by endorsement by Seaboard Air Line Railway Co. The bonds are being offered at a price to yield approximately 6.10%.

G. A. Younger, of Hartshorne & Picabia, has been appointed an assistant manager of the Press Bureau of the Liberty Loan Committee.

At a special meeting of the stockholders of the American Foreign Banking Corporation today, an increase in the paid in capital of the company from $2,500,000 to $2,980,000 was authorized, and the surplus increased from $900,000 to $1,073,088. This action was taken as the result of the entry into the corporation of 15 additional banks, bringing the total number of stockholding banks up to twenty-eight. The new additions were the following: American Southern National Bank, Louisville, Ky.; Denver National Bank, Denver, Col.; First National Bank, Utica, N. Y.; Indiana National Bank, Indianapolis, Ind.; Industrial Trust Company, Providence, R. I.; Manufacturers & Traders National Bank, Buffalo, N. Y.; Merchants National Bank, Los Angeles, Cal.; Merchants National Bank, Richmond, Va.; Merchants National Bank, St. Paul, Minn.; Merchants National Bank, Worcester, Mass.; National Bank of Tacoma, Tacoma, Wash.; Northwestern National Bank, Minneapolis, Minn.; The Peoples Bank, Mobile, Ala.; Security National Bank, Dallas, Texas; Springfield National Bank, Springfield, Mass.; Standard Bank of Canada, Toronto, Ont.

J. Walter Bell, 111 Broadway, is distributing a booklet entitled "How to Finance a Business." This booklet contains much valuable information for executives of established companies contemplating additional financing.

Mr. W. A. Radford has just been made a vice-president of the Sherman National Bank. Mr. Radford was formerly with the National Bank of Commerce in New York, where he was director of New Business activities.

Book Reviews

These Books Are For Sale by The Magazaine of Wall Street

RETAIL BUYING: MODERN PRINCIPLES AND PRACTICE

By Clifton C. Field, formerly with Marshall Field & Co., and James McCreery & Co.; Instructor in Merchandising, University of Wisconsin. Cloth, 220 pages, including Index; illustrated by Charts and Tablets. (Price, $1.35 Postpaid.)

THE author has had experience in both country and city stores and has developed his subject on the basis of principles and methods which will be new to the great majority of retailers. The experience of practical buyers is explained in a concise and readable way.

The book is divided into four parts, as follows: Part I, The Merchant as a Buyer; Part II, Merchandise; Part III, Buying Practice; Part IV, Stock Systems. Some of the subjects discussed in the 15 chapters are the buyer and his qualifications, sources and types of merchandise, the steps in buying, determining qualities, buying for special sales and holidays, meeting competition, determining prices and profits, the turn-over, inventory, stockkeeping and recording, handling salespeople, advertising and display in connection with buying, etc.

This volume contains a great deal of information in condensed form and every retailer ought to have it in his library.

ONE-WAY POCKETS: THE BOOK OF BOOKS ON WALL STREET SPECULATION

By "Don Guyon." Bound in boards, 64 pages. (Price, $1.10, postpaid.)

PRESENTS facts which will be new to the vast majority of investors and traders in stocks and of interest even to those who already have some knowledge of them. The author is connected with an active stock brokerage concern having a large and varied clientele. In this book are given the facts, as computed from actual figures, as to how traders and investors actually buy and sell —that is, under what conditions of the market their purchases exceed their sales and vice versa.

Some of the subjects discussed are as follows: Detecting "Bad" Buying and Selling; What the Order Book Showed; Buying on the Way Down; Waves of Public Buying and Selling; Speculative Errors; Determining the Trend; How a Bull Market Starts; the Menace of News; Correct Use of Stop Orders; the First Selling Point; the Great Distributive Stage; When and What to Sell Short; the Effect of Short Sales; Playing for a Pull.

The ideas expressed are sound and the author wastes no words. It is safe to say that any active investor or trader will learn something from this book, and to many it will be really illuminating.

INDEX-DIGEST OF THE FEDERAL RESERVE ACT AND AMENDMENTS

Compiled and published under the direction of the Federal Reserve Board; 656 pages; paper cover, price $1.00; bound in buckram, price $1.25. Obtainable at any Federal Reserve Bank or from the Federal Reserve Board.

THIS compilation contains the full text of the Federal Reserve Act as amended, followed by an exceedingly complete and convenient combined index and digest which takes up the greater part of the volume.

The book covers the acts of the following dates: December 23, 1913; August 4, 1914; August 15, 1914; March 3, 1915; September 7, 1916; June 21, 1917; and those provisions affecting the Federal Reserve System of the acts of the following dates: May 18, 1916; July 17, 1916; April 24, 1917; September 24, 1917.

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HOW ONE INVESTOR WOKE UP

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In an idle moment, while carelessly turning over the pages of an unfamiliar magazine, my eyes caught the following words in large type:

TO SLEEPING INVESTORS!

All day those words were before me, they would fade away, then return, they appeared in my dreams that night; then as in a flash my brain grasped the truth.

THOSE WORDS MEANT ME; I was a sleeping investor, not only sleeping but so wrapped up in my egotism that I was even snoring.

In my ignorance, like thousands of others, I had bought the stocks of corporations about which I knew absolutely nothing; so long as dividends arrived my confidence was complete, never questioning whether these dividends were honestly earned or honestly paid, whether the money invested was in safe hands or not.

Enough; that was nine months ago.

Detail would be tedious, suffice it that my first act was to subscribe for The Magazine of Wall Street in which I had seen the words which had aroused me.

Each issue of the magazine, upon its arrival was carefully studied, gradually my brain responded to its teachings and today my money is in practically safe corporations, the principle is doubled and the dividends a little more than double.

In my heart is a deep and sincere feeling of gratitude towards those who have made it possible for others to awake and profit by the awakening.

(Signed) M. R. ROBB.

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Mar. 16

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